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THE MAGAZINE OF WALL STREET

and BUSINESS ANALYST

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With The Editors

Dangers in Under-Speculation

THERE is plenty of talk about the dangers of over-speculation, but very little is said about the almost equally grave dangers in under-speculation. Life itself is a speculation and children tied over long to their mothers' apron strings are more apt to turn out dismal failures than those who are permitted to accept the normal risks of living. Economically, it is the same: think how drab the existence of most of us would be if there were no liquid investments other than two per cent government bonds. There could never be a Henry Ford in such a world, for neither he himself, nor his friends, nor his acquaintances would dream of speculating in a smelly, noisy, untried wheeled contraption.

Or, is it only certain forms of speculation that people mean when they talk of its dangers? Can it be that they mean that it is all right for a farmer to speculate in growing a crop, but wrong for him or anyone else to speculate upon the crop in the finished state: right for a man to take part in the initiation of a speculate enterprise, but wrong for someone with greater faith to buy his interest from him subsequently?

We are among the first to admit that it is possible to have an excessive amount of certain types of speculation and the past holds many instances of excess speculation that the country could very well have done without. It is to be remembered, however, it was the speculator that built and developed the United States and, despite lost motion, the job on the whole is a good one. Hence, when talking of over-speculation let those who do so state specifically where and in what it is excessive. Only in this way will it be possible to see matters in their correct perspective.

At the present time, there is probably too little rather than too much speculation. We could do with a little more speculation in new products and processes: a little more speculative building would probably do more good than harm at this point. As for the stock market, it is the dearth of active speculation that makes for the present dullness which has already had a hampering effect upon the raising of capital for perfectly legitimate business purposes.

The combination of New Deal in this country and circumstances abroad has saturated the atmosphere with speculative explosive and here we are tying the safety valve down before it has had a chance to give any relief. Should there be a devastating explosion one of these days, it will be largely because the state of speculation was condemned as excessive long before it even neared such a point.

IN THE NEXT ISSUE

How New Financing Affects the Security Holder

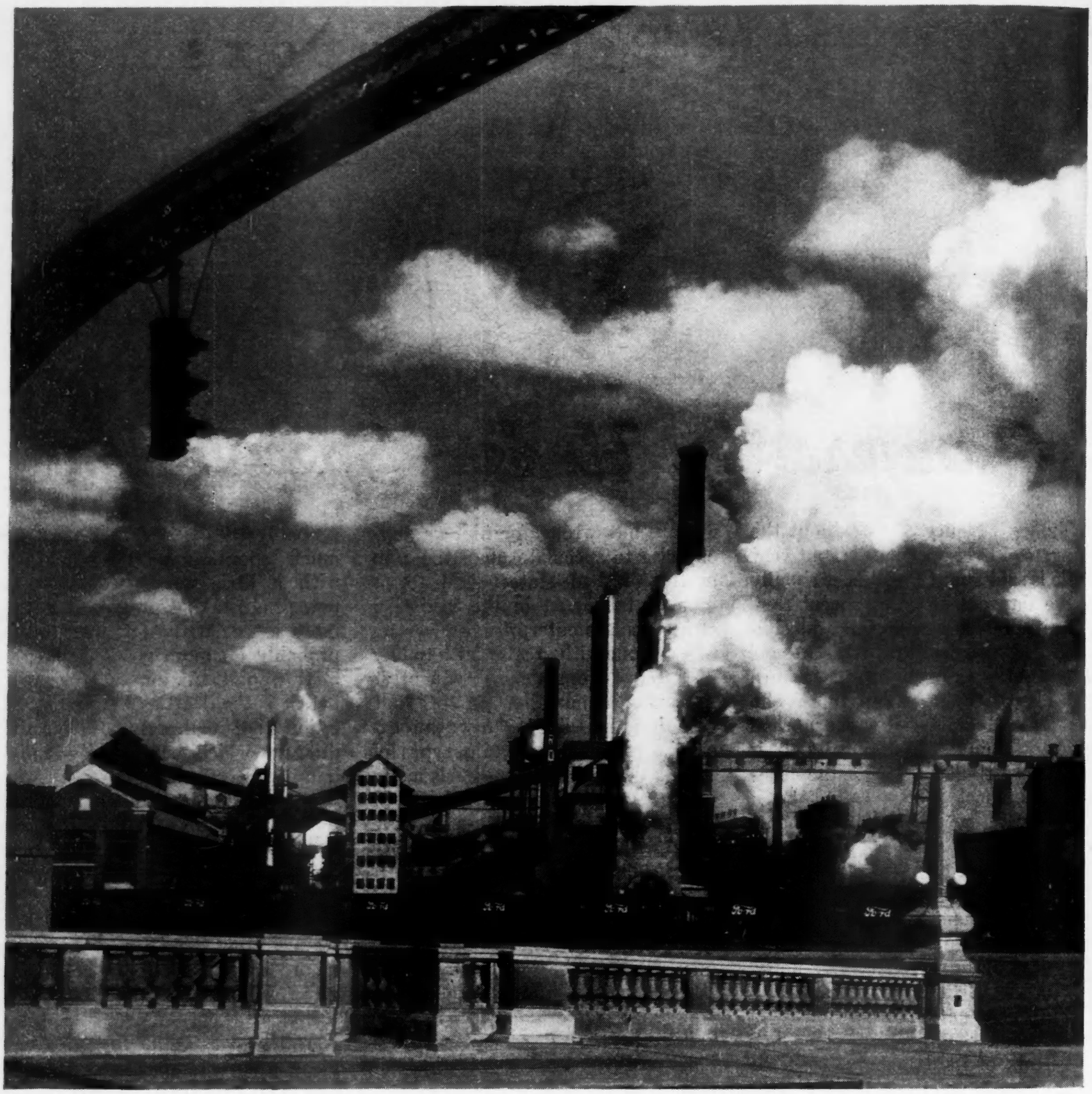
BY J. S. WILLIAMS

Is the Era of Chain Store Merchandising Over?

BY GEORGE L. MERTON

What Are the Possibilities for Consumer Demand Next Fall

By JOHN D. C. WELDON



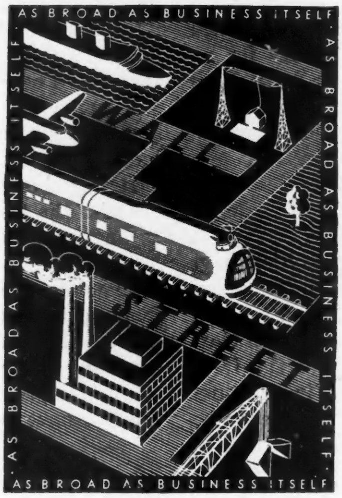
Ewing Galloway

While the current business prospect is not devoid of uncertainties there are more convincing indications that the third and fourth quarters will be active and profitable periods for industry and trade.

See page 282.

THE MAGAZINE OF WALL STREET

E. KENNETH BURGER, *Managing Editor* : C. G. WYCKOFF, *Publisher* : THEODORE M. KNAPPEN, LAURENCE STERN, *Associate Editors*



The Trend of Events

BUT THEY DON'T SAY "POSITIVELY." . . . Scarcely a week passes without some high official of the United States Government or of the British Government stating that no change in the price of gold is contemplated. Nevertheless the London market remains nervous and uncertain regarding the longer term outlook for gold, and it craves still more definite assurance. It would like the British and American monetary authorities to say flatly for the record: "We positively will not change the price of gold now or at any future time, under any conditions." It is not to be expected that either Mr. Roosevelt or Mr. Chamberlain will go that far.

The British are trying to induce the central banks of British dominions and crown colonies to exchange sterling balances for some $500,000,000 of gold that the Bank of England would like to get rid of. This idea is favored by J. M. Keynes, noted British economist, and by Professor O. M. W. Sprague, onetime adviser to the Bank of England. It would be a partial redistribution of monetary gold stocks, and a partial substitution of gold reserves for sterling reserves in the credit structures of some dominions, notably Australia. It would, of course, ease Britain's load in the continuing Anglo-American venture of absorbing all offered gold at the $35 price. But this step, even if consummated, will not solve Mr. Morgenthau's problem of finding money with which to buy gold that continues heavily to flow in here.

If the two big buyers can hold out long enough, there may be a natural solution. There is some evidence that the rate of gain in gold production is slackening, due to higher mining costs. World gold output in April—latest month for which figures are available—was the smallest since last November, with the exception of short February, and in the United States was the smallest for any month during the past year. Higher commodity prices and larger labor costs would hasten the adjustment, but present a new problem. The New Deal favors higher wages but, in contrast with its former position, now wants stable, not higher, prices.

SELECTIVE COMMODITY TRENDS . . . Indexes of spot and future commodity prices have continued the decline which began early in April, but the actual picture is somewhat different from that implied by such charts. Up to the middle of May the reaction was general, reflecting collapse of an overdone speculation. Explanations advanced for it at the time centered largely on Washington warnings against commodity speculation in general, the President's remarks about several commodities in particular, and rumors of a change in the price of gold. For the past month, however, the commodity trend has not been general but selective, reflecting the normal workings of supply-demand factors as individually analyzed in trade and speculative channels.

In the recent more rational movement, further decline

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has been largely in agricultural products, although cotton remains moderately higher than a year ago and the two major grains far higher. Rubber has declined an additional 2½ cents a pound during this period, but most industrial commodities are exactly where they were a month ago. It need hardly be said that in relation to business volume and profits, chief interest is in industrial raw materials, rather than farm products. Such materials have now shown reasonable stability for an encouraging length of time. Whether up or down, their movement over coming months is likely to be determined by individual supply-demand relationships and not by governmental monetary or gold policy.

THERE'S TROUBLE AHEAD FOR FRANCE . . . Premier Blum of France and his Popular Front coalition have been widely hailed as a great success. The "bloodless verdict of the market" holds otherwise. With 3 per cent rentes now below 60, the credit rating of the French Government has sunk to the lowest mark since the franc crisis of 1926. The national defense loan issued three months ago at 98, with a guaranteed exchange value, has fallen to 90. The government hopes to raise an "extra" 4,000,000,000 francs by taxation, and on the basis of this revenue will seek to borrow something like 20,000,000,000 additional francs at short term.

If this is not the handwriting on the wall for the present liberal democratic government it will be a miracle. All too often such governments seem destined for endless internal squabbles and profligate handling of national finances. They are seldom wrecked by their enemies. Usually they wreck themselves, whereupon it is easy for extremists of the Left or Right to step in.

Britain's labor government defeated itself and was overwhelmingly repudiated. Fortunately, its rise and fall were via the route of democratic processes long and firmly established in Great Britain.

The tradition of democracy in France is young—much younger than in Britain or the United States. It will stand in grave danger if Premier Blum's financial policies eventually provoke a violent revulsion of popular sentiment. The majority of international political observers apparently believe that if such a swing comes it will probably be to the Right. This opinion, which may or may not prove sound, is based on the premise that French industrial workers are a minority and that political power in the long run will rest with the farmers, small tradespeople and middle classes—but industrial workers were a minority in Russia and a small one. The shrewder extremists bide their time, believing the course of events is working for them. So it seems to be. The trend of French rentes will tell the story.

AUTOMOBILE PRICES ARE GOING UP . . . Although the general public is not as yet giving much thought to 1938-cars, next year's models are pretty definitely fixed so far as the manufacturer is concerned. Of considerable significance, not only to the prospective buyer of a new car but to business as a whole, is the inevitability of higher prices. The point has been reached at last where it is no longer possible for increased volume, greater efficiency and human ingenuity to offset the higher costs of labor, material and rising taxes. As a matter of fact, a number of 1937-models are appreciably higher today than they were a few months ago. If it were not for the doubt as to what Ford will do, one could confidently forecast that the price of the new models would be at least ten per cent higher than this year's counterparts. Ford is the big enigma. His competitors are still wondering what was meant when he talked about demonstrating some real competition. It is not believed, however, that Ford will deliberately run at a large loss.

It may be assumed when the automobile companies do raise the price of their products that it will be done as unostentatiously as possible. One wonders, however, how much it is possible to overcome the actual fact that automobile prices are higher, even though the price increase has been disguised. If there is anything of pity at all in economics, it will be aroused by the sight of a huge industry, which has been founded on lower and lower prices and more value for the money, forced off its course by factors outside its own control.

NATIONALIZING FREIGHT RATES . . . The Tennessee Valley Authority has thrown a proposal into the general consideration of revision of freight rates that has several interesting sidelights. Three main objectives are contained in the T V A report, which the President has forwarded to Congress for consideration. The first would be to fix freight rates on shipments from one "territory" into another on the basis of the rate prevailing in the region of destination, instead of on the basis of the rate prevailing in the region of origin. The second objective would be to bring all inter-territorial rates closer together. The third, certainly a worthy objective from the standpoint of the carriers, would be to have the I C C promote a greater flow of inter-regional commerce. One gathers from reading the T V A proposal, that there are other motives, not set forth definitely as objectives of the plan. For one thing, there is an underlying philosophy of the proposal that has much in common with other economic plans that have emanated from certain Administration circles, namely, that the emphasis on rate planning be shifted from a regional basis, where local geographical and economic factors come foremost, to a national basis without the same regard for the practical problems of varying freight density in different regions that are presently taken into account. It also happens, of course, that the proposal coincides with the ambition of both the T V A and of certain Southern governors to obtain lower rates on inter-regional shipments as well as on movements of freight confined within the South. When the I C C gets down to cases on this proposal, the latter objectives will probably become more prominent than they presently appear. It will also become more evident, when adequate study is given to the new plan, that the existing basis of inter-territorial rates rests on something more than "tradition and custom."

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As I See It!

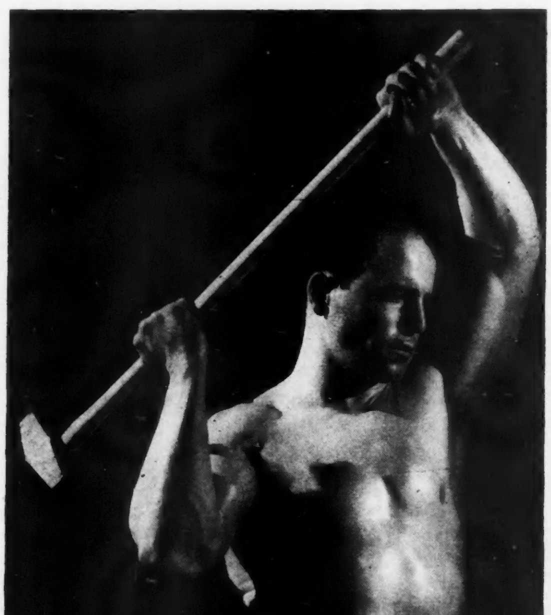
BY CHARLES BENEDICT

THE PRESIDENT AND MR. LEWIS

THE anarchy to which the C.I.O. is resorting to force its demands, the complacency with which various branches of the government are accepting labor's challenge, are a little difficult to comprehend. President Roosevelt and Mr. Farley have proven themselves such adroit psychologists that one is led to ask whether the C.I.O. and Mr. Lewis are being given a free hand and enough rope to hang themselves. Otherwise, it seems incredible that the Government should sit passively by in this emergency.

The abuses in which radical labor has indulged itself are thoroughly arousing that substantial class of our population who have "arrived" because they are thoughtful and intelligent citizens—the class which is not militant, which always believes that every problem lends itself to a common sense solution.

The extreme tactics employed in tying up the entire city of Lansing and its environs—the demand on the landlords in the automobile districts that they cut their rents substantially or the C.I.O. would advise its members to refuse to pay any rents—the order by municipal authorities to mill owners to cease housing workers in the mills who do not wish to strike (although the rebel sit-down strikers took possession of factories and lived there night and day for weeks on end)—are bringing the realization that this situation cannot be met by reason and logic, but only by a courageous stand against all and any who use such means to intimidate the people of this country.



Ewing Galloway

It is evident that those who are behind these labor moves are unreasoning, unbalanced individuals. They have gained the support of the laboring man by the advantages which they were able to secure for the workers in the automobile industry in the early stages. Now all they have to do is to make promises to retain their hold.

From their demands and methods it is very evident that they are not working to create a better state for labor and prosperity for the country, but rather they are working only for control of all classes of labor in this United States; and when the time comes—to exploit them as they see fit.

These leaders and their cohorts are guilty of rebellion and anarchy. Their defiance of law, order and the rights of their fellow citizens, give us every indication of what may be expected if they ever get control. Their activities present a picture which is calculated to make every thoughtful citizen resentful, determined and ready to defend himself and his family against these hoodlums.

There is the additional disturbing factor that men are beginning to believe they cannot look to the Government to protect them. The benign attitude of the administration toward labor—the weakness of public officials in failing to enforce the laws against the emboldened leaders of the C.I.O.—the recent statement by the C.I.O. to its workers which said: "Four departments of the United States Government are fighting on our side" — the unprecedented action of the post-office authorities in refusing to deliver food packages to contented workers, thereby undermining the faith of these people in the will of their Government to give them justice — such things as these have the disillusioning elements of very grave danger.

Where they will ultimately lead depends on the Government's course of action.

What's Ahead for the Market

BY A. T. MILLER

NATURALLY, we would prefer to see the stock market going up; but in view of the disturbing news with which it has had to contend, its performance during the past fortnight offers no ground for valid complaint. The net result of aimless fluctuation on exceptionally small volume is an average price level approximately the same as prevailed when our preceding analysis was written.

In the interim labor turmoil and violence have increased, with continued silence from the President on this problem generally interpreted as implying no change in the Roosevelt-C. I. O. bond of friendship. The fog surrounding New Deal legislative proposals of the most far-reaching significance in relation both to the operations of industry and to our very form of government has become thicker. Lingering uncertainty as to the longer gold price outlook stubbornly persists, especially in the London market, despite repeated official assurances. Another French franc crisis has developed, reflecting strained national finances and continued alarm of French capital. In various industries production is now sustained largely on previous bookings, with new business lower. Finally, prices of some commodities, chiefly in the agricultural group have weakened further, and tentative stabilization in industrial raw materials has been maintained over too short a period to provide conclusive proof that reaction is ended.

We *almost* frighten ourselves with this imposing array of unfavorable factors! Yet as we read scare headlines concerning the bitter strike that has tied up a moderate percentage of the country's steel making facilities, we take some comfort in the thought that the vast majority of our people are not on strike and that in the vast majority of factories work is going on as usual. Moreover, we remember that not many months ago the headlines had to do with the sit-down strike, then the favored technique of militant labor unions. This fad petered out under rising public protest and a resultant stiffened attitude of the law enforcement authorities in most industrial states.

If the C. I. O. continues to overstep the bounds of law and order as it has recently shown a tendency to do, the hand of the Federal government will be forced. Then, political debts notwithstanding, some positive restraint will be exerted, either openly or privately. If the latter course is chosen, as is most likely, then the chances are that the present wave of labor turmoil will subside, as did the sit-down epidemic, without provoking a final showdown as between labor insurrection and public authority. In any event, we doubt that the leaders of the C. I. O. are so foolish as to invite such a showdown in which they would inevitably lose. No general strike has ever been successful and the device is well recognized as suicidal by experienced labor leaders.

This brings us to the matter of the legislative outlook at Washington. It can not be denied that the series of bills introduced by the Administration would, if enacted in their present form, put over virtually a bloodless revolution, involving centralization in the President of powers heretofore undreamed of outside of authoritarian nations. Again, however, we can find some grounds for hope. The President ran up against a stone wall in his court packing plan, and there is other evidence, as well, that Congress is increasingly disinclined to go along on Administration-dictated legislation "as is." In this connection it is most interesting to note that one of the most powerful farm organizations — the National Grange—has urged Congress not only to drop the court plan but to postpone all New Deal "must" legislation, adjourn and go back to the country for orders. Evidently a considerable number of farmers—a majority, in our opinion—are not ready for either social revolution or a labor dictatorship.

Regardless of London's uncertainty, we simply do not believe that the price of gold will be changed and we take official assurances to this effect at face value. The French financial crisis is merely another in a long series, none of which has previously affected our market for any length of time. As for the business outlook, we believe it is a lot better than current financial sentiment and that any probable summer recession has been adequately discounted by present stock prices. As for the commodity trend, larger crops probably will more than offset lower farm prices in effect upon both farm income and business volume; and while we can't prove it, our guess is that if stabilization in industrial commodities, generally speaking, has not been attained, we are in any event close to it.

On the favorable side, money is still cheap and plentiful; stock market price-earnings ratios now are lower than they were either at this time in 1936 or 1935; yields of 4 to 6 per cent are available on numerous sound equities; payrolls, farm income and dividend distributions are running at a combined annual rate more than $5,000,000,000 ahead of a year ago; and the recent period

Despite present formidable obstacles, we continue to believe the next important market move will be up. Accumulation of selected equities presented in this issue and preceding issues is recommended for investment and intermediate trading.

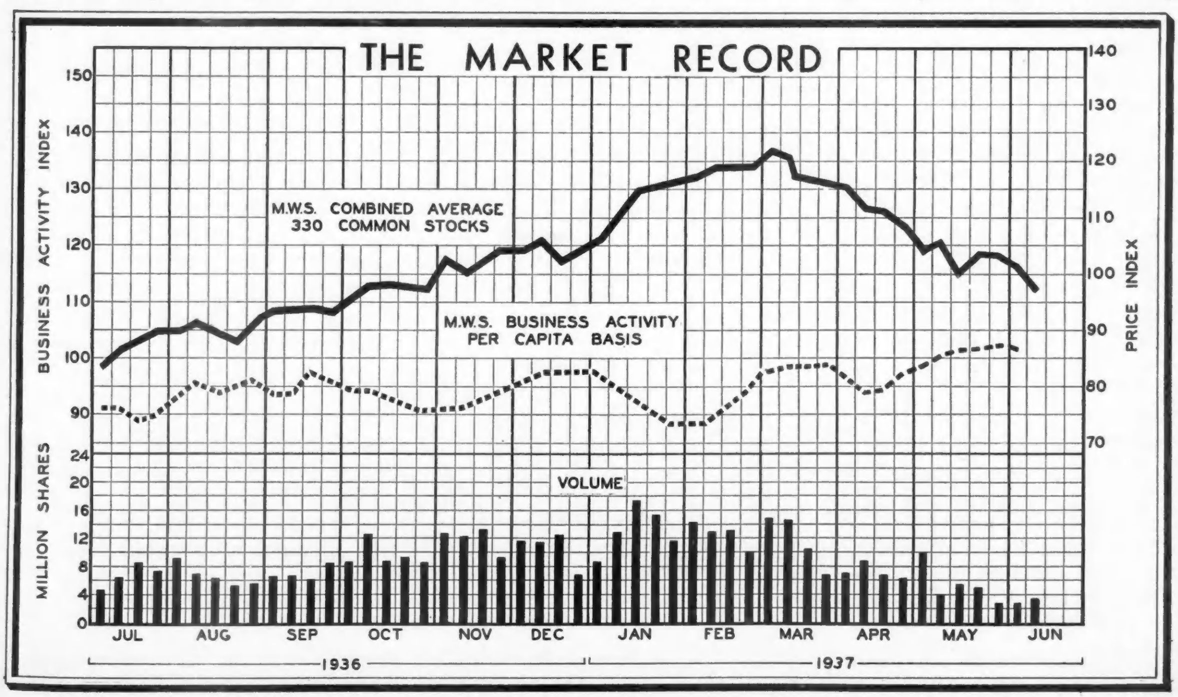
of bank credit deflation has not only ended, but renewed expansion is under way, especially in commercial and agricultural loans.

Indeed, the current trend of bank credit would seem to give little support to the idea that business men generally are fearful of the future. During the first quarter of the year commercial, industrial and agricultural loans made by all member banks expanded by approximately $180,000,000. During the second quarter up to June 2, the latest period for which official figures are available, such loans have increased by $210,000,000. In view of the fact that this second quarter credit expansion occurred while speculative markets were reactionary and when abnormal forward buying in business and industry had abruptly halted, it can only be concluded that it must be geared to actual productive needs or to soberly estimated future productive requirements.

Then, too, it can not be too strongly emphasized that the recent and present period of correction and adjustment was desired by our Washington "money managers" and was largely brought about by them because they believed dangerous tendencies had appeared and that application of the brakes would be in the interest of longer-term economic expansion of gradual and orderly nature. Whether one believes that "stabilized prosperity" is attainable or not, there is nothing paradoxical or contradictory in the recent official course followed.

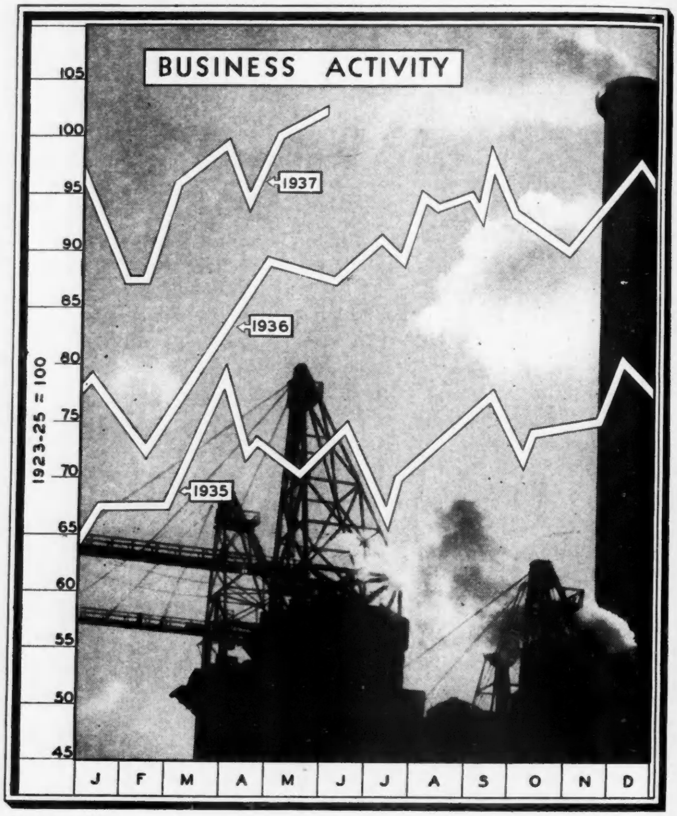
The desired correction having been achieved, it is as certain as anything human can be that you will see no more deflationary credit moves and hear no more deflationary talk on the part of Washington for some time to come. As we see it, the logical expectation is that the Administration will stand by, hoping that sound private credit expansion will finance the additional business recovery that everybody concedes the country must have if the New Deal's political commitments are not to end in fiasco. This does not mean that Washington will strive to prevent any kind of business recession this summer, but it does mean—in our view—that the Government would find itself forced to step in with reflationary efforts of one kind or another if such recession threatened to assume dangerous proportions or if a renewed phase of expansion were delayed much beyond the closing months of the year.

As for the intermediate term, we are impressed by the fact that seasonal advance from June to September over a long period of years has been one of the strongest and most consistent of market habits. Out of the past thirty-nine years, from June 1 to September 1, the Dow-Jones industrial average advanced in twenty-six years, declined in thirteen. The total advance in those twenty-six years was 341 points, the total decline in the thirteen years was 94 points. Despite all present obstacles, we continue to feel that the next important move will be up.



Third Quarter Outlook for Leading Industries

BY JOHN D. C. WELDON



Gendreau Photo

In an atmosphere of serious labor disturbances, dragging security markets and further reaction in some commodities, it is not surprising that sentiment regarding the prospect for business activity during the third quarter is doubtful if not somewhat pessimistic. This is always true when periods of over-optimism and active forward buying are climaxed by severe intermediate reaction in speculative markets as has happened in recent weeks.

And yet objective examination of present business conditions and trends indicates convincingly that aggregate third quarter volume will hold at a high and profitable level; and that any summer recession will most likely be of inconsiderable proportions and of short duration.

For perspective, bear in mind the simple reality that in a major expansion cycle temporary periods of excess and reaction are much more characteristic of consumption goods industries than of industries making capital goods and consumers' durable goods, although the latter, of course, constitute the biggest variable in the longer cycle. This is not hard to understand. Consumption goods are first to recover and were in a boom area prior to the recent change of sentiment precipitated by commodity price reaction and sudden cessation of forward buying.

Consumption goods are much more sensitive to short-term changes in markets and sentiment than cap'tal or durable goods. To illustrate: a merchant will quickly cancel an order for a hundred dozen shirts if he finds he has over-estimated his market or misjudged the price trend of shirts—but a corporation which, after mature appraisal of its longer prospect, has embarked upon building a new factory or installing new machinery, does not suddenly get cold feet. Railroads do not cancel orders for freight cars and utilities do not cancel orders for equipment because the stock and commodity markets have had a reaction and people are wondering whether there will be a temporary recession, and how much, in business activity during the next quarter.

It is significant, but not surprising, that activity in capital goods is now making a better showing than in consumption goods, notably textiles. With few exceptions, capital goods industries have only approached a semblance of normal volume during the past year, are still under former peak levels of activity and are below capacity. As long as business men are investing capital and spending on plant and equipment, as they are now doing; and as long as people continue to build homes, as they are now doing, fluctuations in textiles and like goods are of merely transitory interest, even though they may for a time retard or moderately lower the composite business indexes.

Strikes, as at present, may at any time curtail industrial and trade volume but this usually means merely a deferment of a certain amount of production and trade to a later time. Thus, present strikes affecting several important steel companies will make second quarter steel output smaller than had been expected, but when these plants resume, their activity in filling orders on the books will make third quarter steel volume larger than it otherwise would have been.

The strongest points in the third quarter business out-

look are the unsatisfied demand for capital goods and consumers' durable goods on the one hand, and, on the other hand, the cumulative effects of a great expansion in consumer income. Factory payrolls, farm income and dividend distributions are now running at an annual rate fully $5,000,000,000 ahead of a year ago. Despite the usual inequalities as between different groups of the gainfully occupied, aggregate consumer purchasing power has continued thus far to increase faster than the cost of living. Satisfactory activity in capital goods industries and a favorable level of public purchasing power are not the stuff of which serious business reaction is made.

In our preceding issue of THE MAGAZINE OF WALL STREET we discussed the general prospect for business profits, reserving for the present article our usual quarterly survey and forecast, industry by industry. The major industries briefly covered individually in the rest of this article embrace so vital a proportion of our economy that for all practical purposes their third quarter prospect will determine the composite business trend. Less important lines and some industries which, while important, are not subject to significant short-term variations of other than seasonal nature, are covered in an accompanying tabulated summary.

CONSTRUCTION—In examining the statistics on building from month to month one can easily fail to see the forest for the trees. Pessimists can find disappointment in the May total, as compared with a year ago and with the preceding month. But through the first half of last year, as throughout all of 1935, Federal pump-priming was the backbone of construction, whereas public projects are now declining and are exceeded by private building, which continues to exhibit a persistent uptrend. Moreover, gains in first quarter volume were abnormally stimulated by a mild winter and by a general tendency of speculative builders to anticipate increased costs of materials.

Thus appraised, the current picture is entirely satisfactory and both the near term and long term outlook is good. The rise in cost of materials has been checked and in the current action of the commodity markets there is no indication that it is likely soon to be resumed. For that matter, the cost factor in terms of space units remains about 40 per cent under the average of the five years 1925-1929. Rental values still point upward, business and personal incomes are rising, mortgage credit is plentiful and but a small start has been made toward making up the enormous accumulated deficiency in building of all types during the depression years.

Aside from seasonal changes and erratic variations in public works contracts, short term fluctuations within the longer cycle of private building are usually relatively small. For the country as a whole it appears probable that third quarter volume will be around $300,000,000 a month or at an annual rate of $3,600,000,000. Thus building vies with steel and automobiles as a major source of economic activity. Its potentialities are greater than in any other major industry for the reason that, despite large percentage gains from the acutely depressed levels of 1932-1934, present volume is less than half what it averaged between 1923 and 1929 and with allowance for a decade of population growth the discrepancy is still greater. It is therefore obvious that in any further economic recovery the level of building will play a more vital part than any probable changes in other major industries. It will be a strong sustaining factor in third quarter business, with private residential and industrial building setting the pace.

AUTOMOBILES—Production of and demand for cars and trucks have recovered to a boom level. Hence it is not to be expected that the rate of percentage gain from quarter to quarter and from year to year can continue at anything like the pace of recent years. This is to say that, unlike building, the motor industry is now in a position to contribute only moderately to further expansion in general economic activity. This fact, however, is of negative rather than bearish import, for the enormous contribution to business involved in production of some 5,000,000 motor vehicles this year will not be diminished more than seasonally in the third quarter; nor can there be any serious relapse in demand for automobiles as long as public purchasing power continues to expand.

Currently new demand is, roughly, 15 per cent ahead of a year ago but is tapering off. This is not surprising, for many people who have not bought new cars by mid-June naturally prefer to await introduction of the new models in early November. Because of strikes in various motor plants in recent months and a resultant accumulation of orders on dealers' books, production in some factories, notably those of General Motors, probably will be sustained close to the present rate for another month or six weeks. From the latter part of July, however, operations will progressively decline as changeover to new models approaches. Some makers not affected by strikes this spring and therefore able to stock dealers adequately —for example, Ford—are already curtailing output. Third quarter motor volume in all probability will moderately exceed that of last year and is unlikely to play a decisive part in any third quarter change in composite business indexes which are properly adjusted for seasonal variations.

STEEL—Volume of new steel business is declining, with the general run of consumers and jobbers well stocked. Backlog orders, however, remain of substantial

Third Quarter Balance Sheet

Unfavorable Factors:

Continued labor turmoil and strikes.
Rising trend of retail prices.
Heavy consumers' goods inventories.
Doubtful commodity price outlook.
Fear of more Federal regulation.

Favorable Factors:

Persistent rise in construction.
Strong demand for capital goods.
Huge gain in industrial payrolls.
Larger cash farm income.
Continued cheap money.

Third Quarter Outlook by Industries

BUILDING—Prospect highly favorable, with private industrial and residential projects setting the pace as public works decline.

STEEL—Nearby trend of volume depends chiefly on how soon present strikes are ended. Consuming demand fairly well sustained.

AUTOMOBILES—Only usual seasonal decline expected, with changeover season not far ahead. Year-to-year gains will narrow.

MACHINERY—Plant expansion and modernization movement and increasing urge for labor-saving equipment point to booming sales.

RAIL EQUIPMENT—Orders on hand preclude any relapse in third quarter and probably for rest of the year.

RAILROADS—Seasonal trend of freight upward and larger crops should assure new recovery high in tonnage.

UTILITIES—Long rise in consumption of electricity appears flattening out for the present.

UTILITY EQUIPMENT—Despite the New Deal's power war, private utility purchases of equipment will be much above a year ago.

FARM EQUIPMENT—In line with increased farm income, third quarter sales 25 to 40 per cent above year ago appear probable.

HOUSE FURNISHINGS—Farther substantial gains indicated by large unsatisfied needs and rising public purchasing power.

OFFICE EQUIPMENT—The more Federal regulation of business, the more office equipment needed. Outlook excellent.

NON-FERROUS METALS—Supply-demand outlook promising and prices appear at or close to profitable stabilization.

OIL—Record high gasoline consumption certain, and firm price structure appears probable.

TEXTILES—Recession indicated in cotton and woolen goods activities.

CHEMICALS—Gains may be moderately curtailed by textile slump.

PAPER—Prospect remains generally favorable, especially in Kraft division.

AIRCRAFT—Present bookings make unlikely any recession in third quarter volume.

LIQUOR—Consumption in seasonal decline but materially higher than year ago.

MOTION PICTURES—Seasonal trend likewise down, but underlying position most favorable in years.

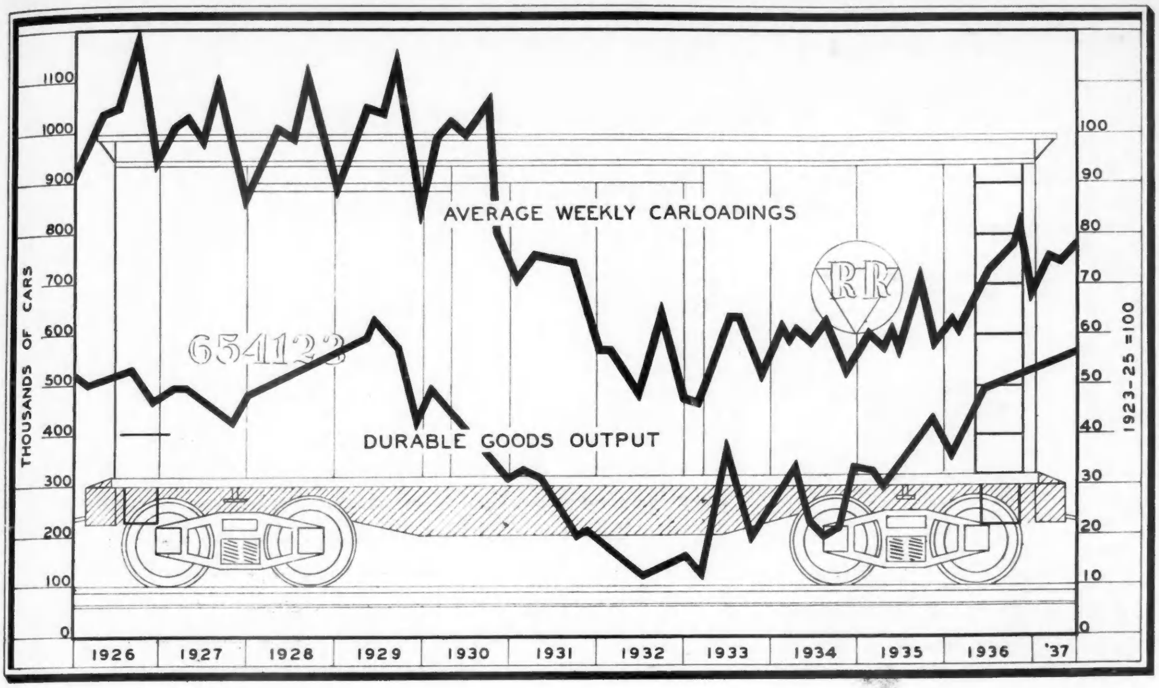
RETAIL TRADE—Gain of 10 to 12 per cent likely, with mail order volume far in lead; strongest spots in Southeast, Southwest and Middlewest.

proportions. Present strikes have rendered forecast of third quarter volume difficult, if not impossible. A certain effect will be a lower June output than would otherwise have been the case. Third quarter effect will depend on how soon the strikes are settled. If protracted, some business now on the books of closed plants will be diverted to others, sustaining for them a higher third quarter activity than was previously expected. On the other hand, if plants now closed resume normal output within a relatively short time, the making up for lost time in handling booked orders will carry them well through the quarter at close to capacity. A special article on the steel industry is presented elsewhere in this issue. Suffice it to observe here that bookings and incoming business appear sufficient to justify a third quarter volume at least 15 per cent larger than a year ago.

MACHINERY—Pressure of rising labor costs, inadequacy or obsolescence of much present equipment and the savings brought within reach by technological progress have combined to produce the largest demand for heavy industrial machinery since 1929. Leading companies making equipment required in the expansion or modernization programs now under way in the steel, paper, motor, oil and other key industries have on hand orders sufficient to keep them busy for many months to come. The longer cycle in heavy machinery is very similar to that in construction in that it is dependent on basic factors and relatively immune to transitory shifts in sentiment, speculative markets and retail trade. Recovery in this field thus far has made but a moderate dent in the accumulated depression deficiency. On the basis both of present backlogs and new business, third quarter prospect is excellent. The lighter varieties of machine tools are subject to sharper monthly and quarterly fluctuations and since in recent months machine tool sales have been at record high levels some recession in the third quarter would not be surprising. Both the wage and hour policies favored by the Federal Government and the success of the present militant union movement, however, will inevitably tend to intensify the boom in labor-saving equipment of all kinds. This is especially true of industrial and office equipment.

ELECTRICAL EQUIPMENT—The favorable factors discussed in the preceding paragraph apply to such electrical equipment as is used in industry. Demand for electrical equipment by the utilities and railroads is affected more by rising volume and inadequacy of present facilities than by urge for labor savings, although the latter plays a secondary role. Demand for household electrical appliances and apparatus, which now makes up a bigger portion of this industry's volume than in former times will continue at record levels. Leading manufacturers in this field are at capacity and orders thus far in June are reported to have continued to run ahead of production rate. There appears to be no prospect of any third quarter let-down in activity.

RAIL EQUIPMENT — Present bookings of freight cars, locomotives and other transportation accessories are such as to insure extension of the existing level of business through the third quarter and probably through the rest of the (*Please turn to page 327*)



Why the Rails are Coming Back

BY PIERCE FULTON

It was not until late 1935 that the gloom with which investors and speculators regarded the railroad outlook began to lift. During the preceding several years most discussion of the railroads centered on "permanent loss of traffic to motor trucks" and "decadence of management," etc. Now it is possible for an industry, like a person, to have several ailments simultaneously, and often the least important will seem the most painful and dangerous. Study of the above graph will show at a glance what has been the biggest cause of the depression decline in freight tonnage and the biggest factor in its present recovery.

The most important variable in the longer trend of car loadings is the output of durable goods. This is also, of course, the biggest variable in the major business cycle. It will be seen on the graph that it was not until the third quarter of 1935 that output of durable goods advanced above the peak established in the initial spurt of recovery in the early summer of 1933. The chart of car loadings follows almost the identical pattern.

It is true that, relative to the 1923-1929 period, present output of durable goods is at a moderately higher level than car loadings, but it must be remembered that for several years movement of agricultural products has been abnormally small, due both to production control and droughts. We will apparently return this year to normal crops. When both industrial and farm production return to normal per capita levels we will have a basis for accurately determining how much freight tonnage has been permanently diverted to the motor truck. The present evidence, however, strongly indicates that tonnage potentialities and radically improved operating efficiency are capable of producing a great railroad rejuvenation—if the carriers are given reasonably fair play on the part of the Government and rail labor.

As measured by ratio of operating income to gross revenues, the efficiency of the railroads has increased some 30 per cent during the past six years; and some roads are getting double the operating income from a given level of gross that they formerly obtained. Net earnings, however, are still relatively small, stockholders have had many lean years and there is scant justice in the demand of rail labor that wages—now at the boom level—be raised still further.

The Cost of Government and Your Taxes

BY THEODORE M. KNAPPEN

Pictures Inc.

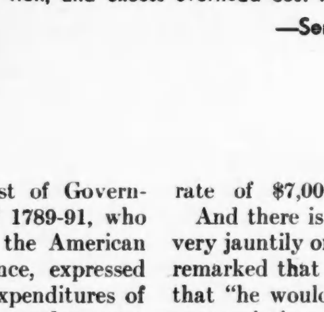
"Unless the Government simplifies itself, it will defeat its own objectives. Most objectives are gained only by the most simple, direct and efficient method. The Federal Machine has become so topheavy and unwieldy as to defeat by conflicting activities and needless red-tape the accomplishments of purposes for which legislation has been passed. This has resulted in a tremendous expenditure for administration, and excess overhead cost is simply a waste of public money."

—Senator Harry F. Byrd of Virginia.

THRIFTY commentators on the high cost of Government in that double initial fiscal year of 1789-91, who had lived through the eventful years of the American Revolution and the War for Independence, expressed horror when they found that the total expenditures of these thirteen "united states" was the stupendous sum of \$4,269,027. They felt a little better though when they found that after spending this incomprehensible sum there was actually in the treasury no less than \$149,886.

A second death—this time by apoplectic consternation—would have been the fate of any of those ancient shades who might have seen the daily statement of the United States Treasury for May 29, 1937. There he would have found for the 333 days that had then elapsed in the fiscal year 1937, Uncle Sam had spent \$4,218,044,658.93 (Note the \$.93). That is just for ordinary everyday expenses.

Only twenty years ago Uncle Sam was boiling with poorhouse rage to find that he was spending a billion dollars a year for every sort of charge from cuspidors to water cures for restive Filipinos. Now his Olympian indignation grows hourly as he finds that up to May 29 of this year he has spent \$2,585,359,702.33, merely for *extraordinary* expenditures, bunched together under the budgetary head of "Recovery and Relief." Since the New Deal began (including 1937 to date) Uncle has spent, or at least appropriated and earmarked for extraordinary expenditure, no less than \$15,700,000,000. Right now he is spending at the rate of \$7,000,000 of borrowed money every day.



And there is no end. Came the President to Congress very jauntily on April 20 last, and pleasantly and casually remarked that he recalled that he had said last January that "he would transmit at a later date an estimate of appropriations for work relief for the fiscal year 1938." And so he did then and there, and it was found that it would take no less than \$8,076,000,000 to run this devoted country through all the days of the said fiscal year.

To make the dose a little easier to take, perhaps, the President took up a topic that has been received with cynical smiles in Congress these many years. "Expenditures," said the greatest executive spender of all, "must be planned with a view to the national needs, and no expansion of Government activities should be authorized unless the necessity for such expansion has been definitely determined and funds are available to defray the cost." In other words, if new legislation imposes any substantial increase in expenditures, either in the expansion of existing or the creation of new activities, it becomes a matter of sound policy simultaneously to provide new revenue sufficient to meet the additional cost."

So the President spake, and so will Congress *not* act. Congress has provided all the really new revenue it intends to provide. But it is not through appropriating. The end of more and more tax paying is pretty near, but not yet the end of bond selling; which is not to say that Congress will spend any less—rather it will spend more.

It is not because the essential cost of Government is so much higher in 1937 than it was in 1791 that Government expenditures are so much larger than they were. It is because we are now such easy spenders, such spend-thrifts; not only that, but that we are such easy marks for taxation. The Federal Government alone is now costing us about $50 a year for every man, woman, and child in the country, and we have not yet begun to speed up the monetary printing presses. Nor need we so long as we can borrow so readily and can continue to support the debt which is piling up.

In this connection consider our national balance sheet that so agonizes our "haves" and delights our "have nots," and it will take but a brief scrutiny of the accompanying table on the national debt to reveal to our quaking apprehension that although our spending facilities are unequalled in capacity and perfect in respect of operation we are utterly unable to hold down the national debt, which seems to be possessed of invincible expansive properties. The figures show where we stand in respect of national debt as of May 31, 1937.

The complexities of the Federal government—to say nothing of the deep deposits of State and Local governments under which it is buried—is beyond all possibilities of human comprehension.

There are twice as many independent agencies busily screwing their spigots into the barrels of federal cash in the vaults of the Treasury Department as there were before the New Deal. Most of the new ones were set up in a time of crisis and confusion. Some of them actually have been found competing with themselves. Actually thrifty borrowers go shopping in Washington and elsewhere to find out which government lending agency will give them the best New Deal. I have compiled the miscellaneous statistics at the bottom of this page from Senator Byrd's excavations in the dark and gloomy records of Washington. That four different and at the same time overlapping groups of government reorganizers have rallied behind Senator Byrd in his brave efforts, at least to penetrate the bureaucrats' jungles of Washington, local and extended, is at once a credit to their courage and a formidable revelation of the terrific tendency of the government to do everything in flocks instead of units.

It takes several hundred general and special accounts in Uncle Sam's book just to cover the general classifications needed to record the financial activities of the Recovery and Relief Agencies. Although the actual account keeping of the Government Department commands admiration and is conducted with amazing rectitude and faithfulness, nobody can or ever will be able to ascertain just where Uncle Sam stands. There is more than one way of interpreting every one of the hundreds and hundreds of accounts he has to keep before he even gets any where near details.

These modern accountants have to trail dollars by the billions where their vocational ancestors had only to trail cents. Some of the special agencies that cause John Citizen the most trouble, cost him the least.

The Federal Alcohol Control Administration spent only $67,000 in 1936.

The Federal Communications Commission cost only $2,300,000 that year.

The Federal Power Commission parted with only $1,053,000 in that same year.

The redoubtable Federal Trade Commission, which is the national general fault finder and policeman, spent only $1,800,000, but there are no statistics as to the number of people it frightened and worried to death.

The National Labor Relations Board has only got a little start, so its $600,000 is not significant. The National Resources Commit- (*Please turn to page* 328)

The National Debt

Panama Canal Bonds	49,800,000.00
Convers'on 3s of '46-47	28,894,500.00
Postal Savings Bonds	119,086,300.00
Treasury Bonds	19,935,905,800.00
United States Savings Bonds	774,904,922.66
Adjusted Service Bonds	404,999,850.00
Total Bonds	21,313,591,432.66
Treasury Notes	10,420,568,150.00
Certificates of Indebtedness	303,143,000.00
Treasury Bills (Maturity Value)	2,552,475,000.00
Total interest-bearing debt outstanding	34,590,777,582.66
Matured Debt on Which Interest Has Ceased	109,688,185.26
Debt Bearing No Interest	512,342,219.76
Total Gross Debt	35,212,807,987.68

Why We Spend So Much

50 Federal agency legal divisions in Washington.
3 agencies insuring deposits and loans.
9 credit and finance agencies.
104 information and publication offices in Washington alone.
29 legal agencies lending Government funds.
34 agencies acquiring property.
16 conserving wildlife.
10 involved in construction.
A dozen agencies for home and community planning.

33,000 telephones in the District of Columbia.
Government's annual rent bill, $25,000,000.
Government leased buildings in Washington, 11,842.
Outside of Washington the Government owns or leases office space equal to 52 Empire State buildings.
Civilian employees number as many as on Armistice Day.
Outside Washington, there are 102,319,119 square feet of leased quarters.
Civil executive employees, Washington, 115,000.
More jobs made since 1933 than between 1789 and 1899.
840,000 people on civil payroll—soldiers, sailors, etc., not included.

Federal expenditures take $1 in every ten of your income.

Steel Prospects for the Next Six Months

Strikes Threaten, While Consumer Demand Remains Heavy

BY B. E. V. LUTY

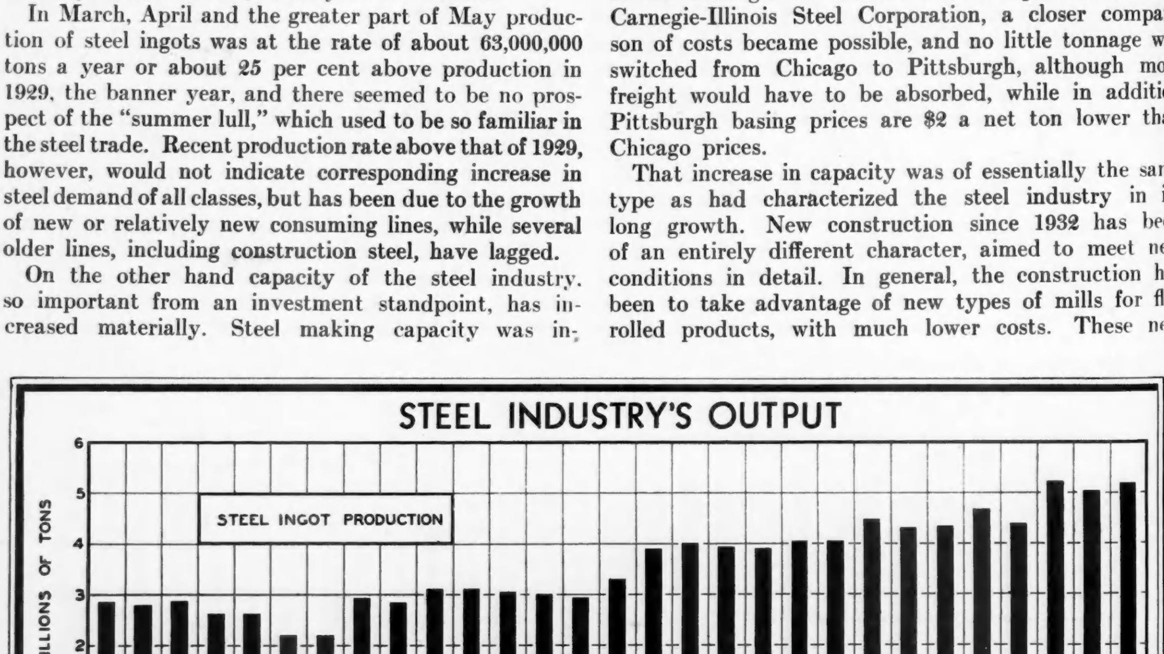
In an article in The Magazine of Wall Street published February 13 last, prospects of the steel industry for the remainder of the year were discussed in detail. In the intervening time some of these prospects have changed while others, especially as to consuming demand, are unaltered. The net result is a somewhat different outlook for steel itself.

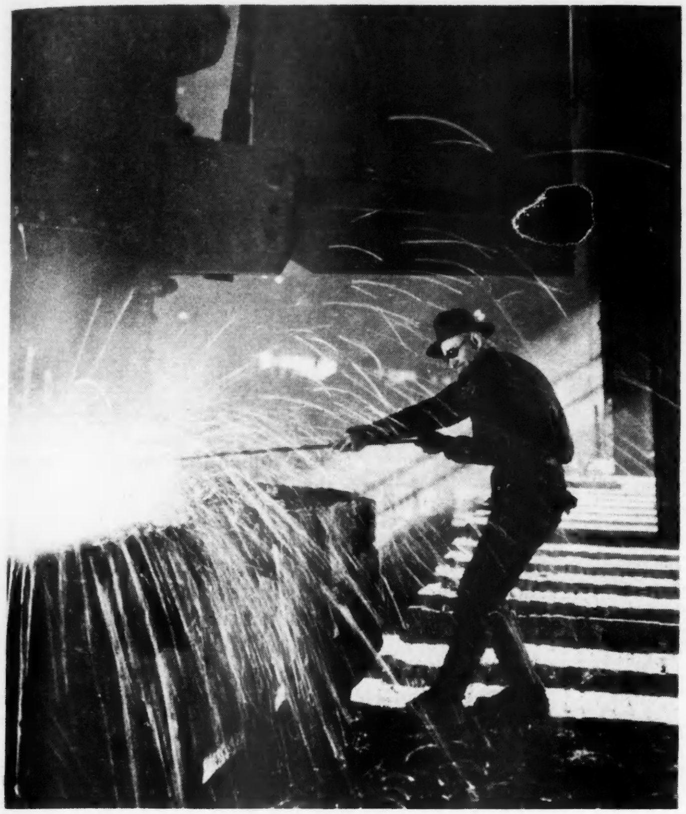
The greatest change is in the labor situation. There is no slackening of consumptive demand as a result of the strikes, but actual consumption and buying of steel is inevitably affected adversely. Production of the industry has, of course, already been curtailed.

In March, April and the greater part of May production of steel ingots was at the rate of about 63,000,000 tons a year or about 25 per cent above production in 1929, the banner year, and there seemed to be no prospect of the "summer lull," which used to be so familiar in the steel trade. Recent production rate above that of 1929, however, would not indicate corresponding increase in steel demand of all classes, but has been due to the growth of new or relatively new consuming lines, while several older lines, including construction steel, have lagged.

On the other hand capacity of the steel industry, so important from an investment standpoint, has increased materially. Steel making capacity was increased sharply in 1930 and 1931, chiefly in the Chicago district by the Illinois Steel Corporation, through the leisurely completion of projects conceived and started well before the turn in general business activity than occurred in the middle of 1929. Less new productive facilities would have been projected had it been possible to foresee the long range future. A point in this connection is furnished by recent records, of the Pittsburgh district Steel Corporation mills running at higher percentage rates than those of the Chicago district, reversing the previous alignment. It appears that with the merger of the Carnegie and Illinois steel companies, into the Carnegie-Illinois Steel Corporation, a closer comparison of costs became possible, and no little tonnage was switched from Chicago to Pittsburgh, although more freight would have to be absorbed, while in addition Pittsburgh basing prices are $2 a net ton lower than Chicago prices.

That increase in capacity was of essentially the same type as had characterized the steel industry in its long growth. New construction since 1932 has been of an entirely different character, aimed to meet new conditions in detail. In general, the construction has been to take advantage of new types of mills for flat rolled products, with much lower costs. These new





Gendreau

Sampling a "tap" of steel at the Carnegie Illinois Steel Works, So. Chicago.

types involve single-stand four-high mills, single stand cold reduction mills and continuous mills, those for the lighter gauges finishing the steel cold. A separate item is the Carnegie-Illinois new mill in the Pittsburgh district, essentially a plate mill although it rolls up through the heaviest gauges of sheets. The mill was put in operation last year. As demand for plates still runs light, its business represents chiefly a diversion of orders from other Steel Corporation mills, and perhaps from the outside also.

Much old fashioned finishing equipment has to be abandoned, and financial reports do not show how much of such equipment has been written off. If no steel finishing capacity had been written off, the industry would find itself with say 40 per cent more finishing than producing capacity, whereas the proportion years ago was about 20 per cent, providing the necessary flexibility, relative demand for the respective products showing little variation as against the wide divergences of the last ten years. When demand for a given line falls there may be price cutting even though the rest of the market is firm.

During the period in which labor troubles were threatened but had not passed into actuality, it was admitted that many consumers were endeavoring to stock, on account of the threat. Mills admitted that the desire existed but were indisposed to admit that much stocking was occurring, basing the assertion on the fact that pressure for deliveries was heavy. It can be observed readily, however, that any consumer who desired to stock would desire to complete the process as soon as possible.

When, beginning late in May strikes developed at mills of Republic, Youngstown Sheet and Tube and Inland, among the five largest independents, it was seen that various consumers and jobbers had stocks of some consequence, for no special demand upon other producers developed. The condition will of course be altered should the strikes last long.

The Republic, Youngstown and Inland strikes are different from those that preceded in other plants. Managements of the three companies are utterly opposed to signing any agreements, claiming such agreements are not required by law, the law stipulating that there shall be collective bargaining in certain circumstances, while the agreements proffered by the SWOC are essentially agreements that the steel companies will obey the law when the test comes. At the Jones & Laughlin plants an election under the control of the Government showed a majority favoring the SWOC and the company then signed an agreement promptly. At this writing, no elections have been held at plants of the other companies involved.

When subsidiaries of the United States Steel Corporation signed agreements with the SWOC there was a clear stipulation that nothing would be done until after elections, and then negotiations would be conducted only as to proved members of the SWOC. The action was much criticized, quietly, by many independents, but the present proposal goes farther.

The independents in general regard the recent proposals merely as thin entering wedges. Collective bargaining does not involve a conclusion, and failure to reach a conclusion would presumably result in fresh strikes. The steel trade in general believes that the ultimate objective of the SWOC is the closed shop, which would mean control of "hiring and firing," whereby efficiency would greatly decrease. There is an enormous capital investment against each man, taking the situation as a whole, and a decrease in efficiency would mean a great loss as compared with conditions hitherto existing, and employers would be tempted to yield to apparently minor exactions, applying to only one or a few men, to limit loss of profit per ton. Thus the camel, having gotten his nose in the tent, would eventually be entirely within the tent, with the owner outside. The late Judge Gary said that the results of unionism could be summed up in three words: "Inefficiency, high costs."

Signing of these SWOC agreements can mean nothing but postponing trouble, for the present demand is insignificant compared with the obvious ultimate objectives. Decision now by a given steel company whether or not it will sign is essentially a decision whether it will have a contest now or postpone the matter.

Attitudes at Washington exert two opposing influences. The desire is to promote the SWOC efforts while on the other hand strong opposition exists as to there being any further steel price *(Please turn to page 334)*

Happening in Washington

BY E. K. T.

Judicial "reform" need still pervades Roosevelt's philosophy. He feels strongly that public demands, democracy requires, that courts should never balk a popularly elected administration—a conception contrary to the founding fathers' belief in checks and balances. Therefore no compromise will ever satisfy him. The sword of his court-packing will be kept dangling over heads of Congress and the courts until the legislation is either passed or killed—probably the latter.

Power program faces snags. President's message on regional planning outlined framework of constructive soil and water conservation system but included vague language on power which reveals diversity of intra-administration opinion. Norris bill is amazingly specific in public ownership provisions, while Mansfield bill in House is considerably more conservative. Both claim to embody President's desires. Privately he probably favors Norris plan but is willing to let Congress strike a median. Utilities will not be alone in opposing Norris bill, for it would cut across prerogatives of a dozen government bureaus and virtually establish super states or federal provinces. Some difficulties suggest the plan may not go through this year.

WASHINGTON SEES

President Roosevelt still determined to make judiciary fit his conception of democracy.

Thorny legislative path faces new power-planning program.

Wage-hour bill will be passed but in modified form.

Tax evasion move largely dictated by political considerations.

Few basic revenue law changes expected this summer.

Labor being permitted to have its fling.

Shipbuilding subsidy of $160,000,000 requested by President belies his economy intentions and recent assertion that heavy goods industries need no stimulation but fits his patriotic and nautical instincts. Whether or not he so intended, it will please the public ownership advocates as being a step toward nationalization of transportation. Of course, will redound to the benefit of shipbuilders in more business.

Wage and hour bill will be passed, but not in present form. Draft gives board so much authority that labor, industry, lawyers are all afraid of it. Final form will be much simplified, though administration frowns on changes in its brain trust child. Probably will have flat universal minimum wage, semi-flexible hours standard. Big fight will come on exemptions. Geographical wage differential will get in, import curb kept out, though latter subject will rise again later. No monopoly provisions or "extraneous" matters will be included.

Redraft imperative because of many blanks, inconsistencies and vague passages discovered in close study of wage-hour bill, which indicate behind-scenes haste and controversy in its framing. Backers cite six possible interpretations of commerce power which might sustain the bill's constitutionality, but many lawyers think all doubtful. But this won't deter passage, as part of administration's objective is to challenge Supreme Court.

Congress' program designed by Roosevelt to pile up during temper-trying dog days in hope a vacation-minded Congress will vote him about what he wants without too much higgling—an oft-used strategem. Rumors of early adjournment should be discounted. Unless the strike wave spreads to Congress and it walks out on the President, it will be here most of the summer; but its actual accomplishments are problematical.

Tax action by Congress this session will consist chiefly of ostentatious expose of few rich tax avoiders followed by some hasty breech-filling legislation to capture a few million dollars. Major revenue law revision will not be

attempted. Major holes in tax net are of long standing and are controversial, such as depletion and depreciation allowances, tax-exempt securities, personal exemptions.

Tax dodging message by Roosevelt is partly a political dodge itself, designed to distract attention from administration's Congressional reverses, work up wrath against rich anti-New Dealers, give excuse for failure to balance budget, set stage for next year's revenue revision.

Social Security taxes have not been coming in as fast as anticipated, and Treasury will make extensive drive to catch delinquent employers, comparing S S returns with income tax and all other available lists of employers.

Tax-exempt securities were highly favored by administration during period of huge borrowings, but as social security fund begins to absorb Treasury refundings, officials may be inclined to favor taxing income from all future government securities. Nothing will be done along this line soon, and a constitutional amendment (with state ratification difficult) would be needed to permit states and federal government to tax each other's bonds.

Strike situation, getting no better fast, finds Roosevelt still serenely keeping hands off and trying to get Congress to do likewise despite continually increasing threat that public will demand action against strikers interferring with mail, utilities, rents, prices, and conditions of life outside the plants they seek to dominate. His attitude still is that labor should be given the chance to find its place.

H O L C moratorium will not be voted by Congress. H O L C has convinced majority of Congressmen that it is lenient with delinquents and that interference with its program would stop collections from home owners now paying and would disrupt real estate mortgage market for an indefinite period.

Trust funds liberalization moves by several states, permitting comingling of small trusts by banks and investment in wider range of securities, being watched carefully by federal banking officials but no action affecting nation banks' trusts will be taken until after S E C sets administration policy toward investment and related trusts probably next year.

Bank mergers, consolidations, migrations, eliminations, being actively sought by F D I C and state supervisors in joint survey to give better service to bankless towns and prevent excess banking facilities. A marked shift is notable in attitude of state officials from one-time desire to increase number of institutions under them to realization that weak units endanger safety of entire banking system.

Oil and mineral industries are building defense against administration's attack on depletion allowances, elimination of which would work them great hardship. Subject will not be seriously considered until next session.

Pictures Inc.

Secretary of the Treasury and his counsel, Herman Oliphant.

Little heard of heretofore, Herman Oliphant, counsel to the Secretary of the Treasury, is playing an increasingly important part not only in formulating national financial program but in fixing policy in regard to banking, labor and agriculture.

Gold policy change denials by administration appear genuine since a change now would cause as many if not more troubles than it would solve, but administration is pulling wires in European capitals to reduce flow of gold here.

Check clearance without charge is object of drive by credit men who argue that checks should be cashed at par like currency to effect free flow of business, but this has opened hornet's nest of troubles as the 2,300 small banks which make such charges claim they will be bankrupt without them and that drive is secretly spurred by opponents of small unit banking. Washington bank supervisory officials don't want the subject opened in Congress.

Installment credit criticism voiced mysteriously in some supposedly official quarters is not shared by most government economists but is view only of those continually seeing boom-and-crash nightmares. Recent statistics show no alarming increase in consumer credit.

Wage and Hour Regulation

An Interpretation of the Black-Connery Bill and What It Means to Industry and Investors

BY HENRY L. BLACKBURN

"THE time has arrived for us to take further action to extend the frontiers of social progress." These were the opening words of a message urging legislation on wages and hours which Mr. Roosevelt sent to Congress on May 24, last. The Black-Connery Bill which embodies the Administration's ideas on this subject is possibly the most drastic proposal put forward by a regime now famous for drastic proposals. If it becomes law it will directly effect every important industry, with the exception of agriculture, in the country and anything which effects industry as this does is of far-reaching importance to the owners of securities. In some respects the bill outdoes the workings of the National Industrial Recovery Act which was dead of its own top-heaviness even before the Supreme Court killed it officially.

Wages and Hours as of March, 1937

(Bureau of Labor Statistics)

Industry	Average Hours Worked Per Week	Average Hourly Earnings (cents)
(DURABLE GOODS)		
Iron and Steel and their products, not including Machinery	43.2	69.0
Machinery, not including Transportation Equipment	43.2	65.8
Transportation Equipment	39.2	82.8
Railroad Repair Shops	44.2	68.9
Non-ferrous Metals and their products	42.6	61.1
Lumber and allied products	43.3	48.6
Stone, Clay and Glass products	40.4	[illegible]9.5
(NON-DURABLE GOODS)		
Textiles and their products	38.2	48.1
Leather and its manufactures	40.9	52.6
Food and kindred products	42.0	56.5
Tobacco manufactures	36.7	42.8
Paper and Printing	41.1	71.4
Chemicals and allied products, and Petroleum Refining	40.4	66.8
Rubber products	38.2	73.9

The Black - Connery Bill would set up a Federal Labor Standards Board, composed of five members appointed by the President. To do what the members of the Board are supposed to do is going to require genius of no mean order—genius which has to be purchased for no more than ten thousand dollars a year per man. It will be the Board's task to determine "fair" wages and hours for virtually every industry in the United States and alter their findings either upwards or downwards according to changing circumstances. Congress is expected to write in a specific figure for minimum wages and maximum hours, for the spaces have been left blank in the Bill. However, the forty-hour week and a minimum of forty cents an hour appear to be receiving favorable consideration.

Another section of the bill prohibits the employment in any occupation of children under sixteen years of age and, in occupations classed as hazardous, of children under eighteen years of age. Yet another section will prevent the shipment in interstate commerce of products, the producers of which "deny to their workers the right of self-organization and collective bargaining, whether through the fear of labor spies, the bait of company unions, or the use of strike-breakers." It will thus be seen that the bill treats of three distinct subjects and one might logically inquire why three distinct subjects were not treated in three separate pieces of legislation? The elimination of child labor is so obviously a laudable objective that any law necessary to achieve it would have an easy passage. As a matter of fact several separate bills dealing with the subject have been introduced. Hence, there would seem to be some validity in the view of those who hold that child-labor gains its position in the Black-Connery Bill mainly as flavoring matter in a law which will put business under a dictatorship.

Goods which are produced under conditions which are not in accord with the bill or the findings of the Standards Board are labelled "unfair goods" and their shipment in interstate commerce is prohibited. If the Black-Connery Bill is enacted, however, the difference between *inter*state and *intra*state commerce will become more or less academic, for a business which is clearly intrastate comes under its provisions if the goods produced compete with those of some other manufacturer in another state. This, of course, is on the theory that an interstate business conforming to the requirements of the law should not be unduly handicapped in competing with a local business not required to do so. While quite fair from one point of view, those that defend states' rights on general principles will see in it a further encroachment on the part of the Federal Government.

The Black-Connery Bill is designed to supplement the Wagner Act in that it is believed that many employees will find it impossible to obtain their just desserts by collective bargaining alone. Hence, to whatever powers they may have to gain higher wages and shorter hours, there

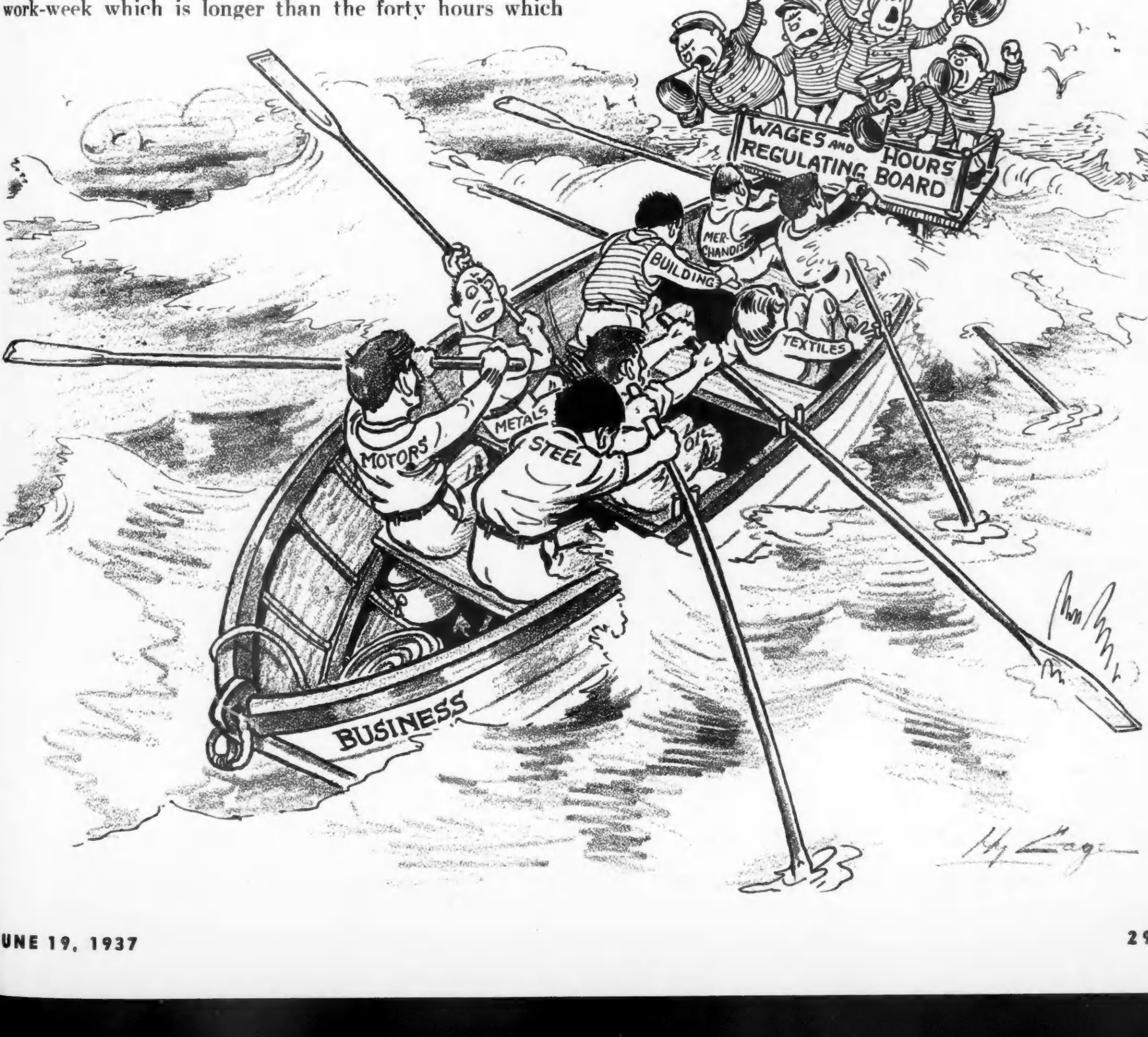
is to be added the arbitrary power of a Federal agency to fix minimum wages and maximum hours for them.

There is not a great deal of information on hours and wages available other than that compiled by the United States Bureau of Labor Statistics. It is, however, comprehensive in some respects and affords a clue to which industries are likely to be most affected by a downward revision of working time and an upward revision in wages. The data on hours probably gives a clearer picture for the purposes of this discussion than the data on wages, for the latter includes many skilled men receiving considerably more than any minimum contemplated in the Black-Connery Bill.

In the durable goods industries the average number of hours worked a week—as of March, last,—was 42.4. Thus, it would seem that the majority of companies in this field would have to effect some reduction in working time. Or, they might as an alternative pay time-and-a-half for overtime. As introduced, the Black-Connery Bill contains a provision that the Board at its discretion may ignore a substandard work-week if such extra compensation is paid. In any event, the practical effect in raising labor costs would seem to be very much the same. This is because it is thought that employers under present conditions will not be able to reduce wages in proportion to a forced reduction in hours or, if they do manage to do so, that they will be unable to retain the reduction very long.

Durable goods as a whole, as has been seen, averages a work-week which is longer than the forty hours which has been suggested as a maximum. This field, however, is a very broad one and considerable differences are to be found in its subdivisions. We find, for example, that workers in blast furnaces and rolling mills, makers of nuts and bolts, most makers of machinery, those working in railroad repair shops and with lumber, all have a work-week from forty-three to more than forty-five hours long. On the other hand, businesses in the field of durable goods which currently average a work-week of less than forty hours would include manufacturers of radios, automobiles, shipbuilders and those making cement and glass.

Unfortunately, an attempt to arrive at any conclusion as to which businesses "will have to do what" in order to conform with the provisions of the Black-Connery Bill is complicated by the fact that many of those having the longest work-week pay the highest average hourly wages. The average hourly wages in durable goods last March was sixty-seven cents and for no business was a figure of less than forty cents given. Indeed, lumber and allied products, and brick and tile were the only industries paying an average wage of less than fifty cents. One might venture the opinion perhaps that because the lumber and wood-working industries both work longer hours than the average and pay well under the average hourly rate they may be among the most affected to the extent of having their costs raised. There *(Please turn to page 330)*



Founded on Collars—Prospers on Shirts

BY HENRY RICHMOND, JR.

A MAN can go a long way and find few businesses in which it is harder to make a living than in textiles and clothing. It is hard for the usually ill-paid mill labor: it is hard for the middlemen who only exist by virtue of having adapted themselves to life in a world of cutthroat competition: it is hard for the retailer because of the price-cutting tactics of competitors: as for capital invested in plants and equipment, it rarely succeeds in earning more than a very modest return.

In the light of this, the common experience, it is all the more remarkable to discover that there *do* exist organizations in the textile and clothing field able to pay their labor considerably more than the customary scale and at the same time able to pay their stockholders respectable dividends. And do this, moreover, while preventing retailers from killing each other off by cutting prices. Cluett, Peabody & Co., Inc., is such a company. It is an old-established manufacturer of collars, now through no fault of its own practically out of the collar business and making a big success of shirts, ties, underwear and handkerchiefs.

Sewing collars is this skilled seamstress' job.

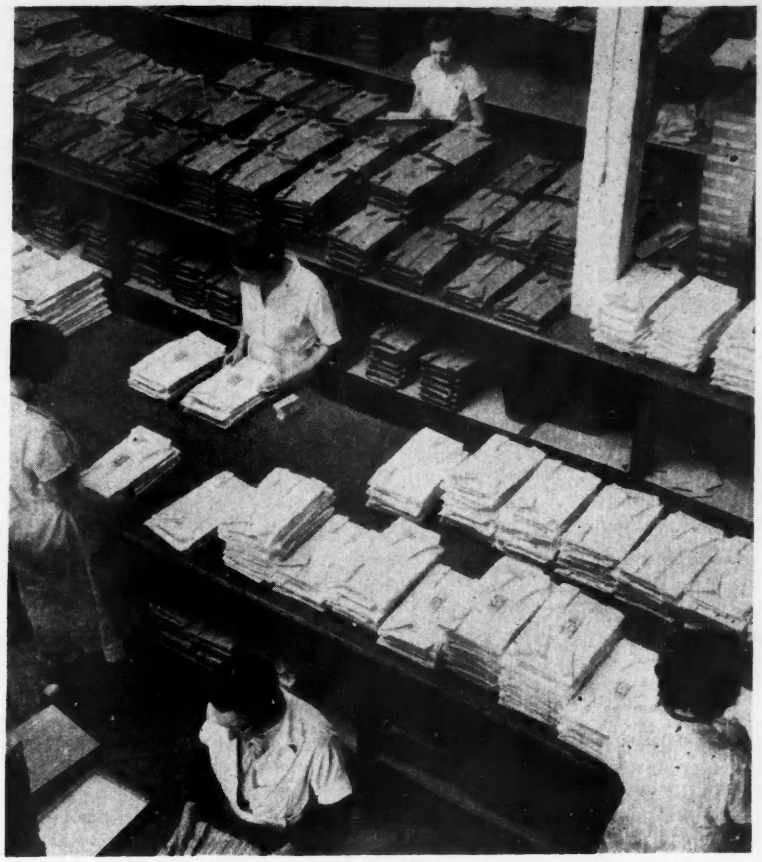
Cluett, Peabody dates from 1851, although the present company was formed only in 1913. Prior to the Great War, it was possibly the best-known maker of collars in the world. At that time, however, the "Arrow" collar was a stiff, white, starched affair. While business continued good throughout the War years, enabling the company to pay $4 a share on its common stock in 1914 and 1915, $5 a share in 1916, $6 a share in 1917, 1918 and 1919, and $8 a share in 1920 (post-war boom) it then slumped heavily as did everything else. Common stockholders received nothing in 1922 and, although they were again receiving $5 a share in 1923—a rate of payment which lasted until 1930—the collar business never really regained its feet.

The War wrought lots of changes in peoples' personal habits. It shortened women's skirts: made the cigarette respectable: and, among other things, sounded the death knell of the starched collar. Not that the stiff collar died suddenly: it just pined away. The starched collar became less starched, then entirely soft. Finally, we find that the collar as a separate entity has been virtually submerged in the drift towards the shirt with soft collar attached.

Today, Cluett, Peabody almost could afford to ignore entirely the line on which it was founded and on which it did so well for so many years. Shirts account for 70 per cent of the company's business and, of this, 91 per cent is in the form of collar-attached models. Neckwear, handkerchiefs and underwear account for the balance of Cluett's manufacturing activities.

Neckwear, which has only been a real part of the line for the past five or six years, is sold under the trade-names "Arrow" and "Resilio" and has become a division of considerable promise.

Cluett, Peabody started operations originally in Troy, New York, and the main plant is still there. Over the years, however, plants have been erected in other parts of the country and today one finds Cluett, Peabody operating on an important scale in Waterford, Corinth and Greenwich, New York, in Leominster, Massachusetts, and in Atlanta and Andalusia, Georgia. There is also a factory at Kitchener, Ontario, which makes the complete line.

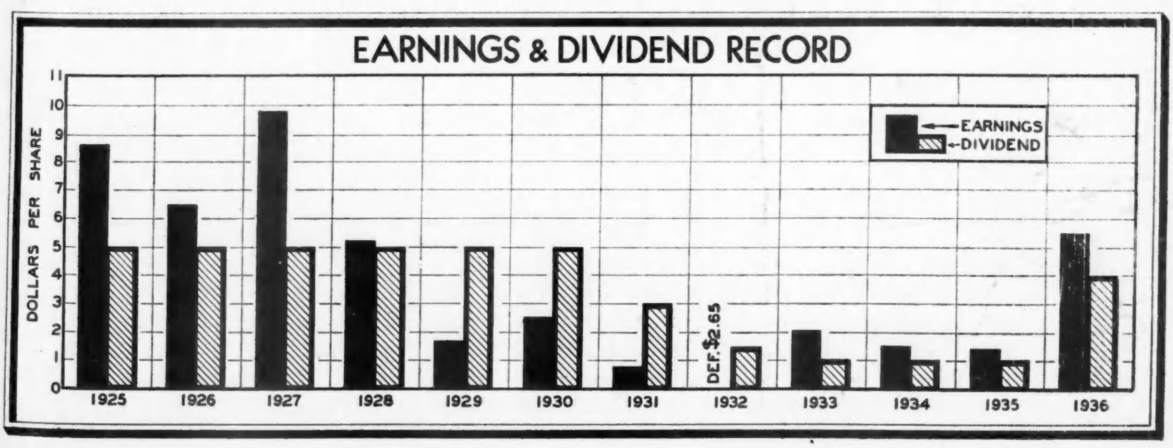


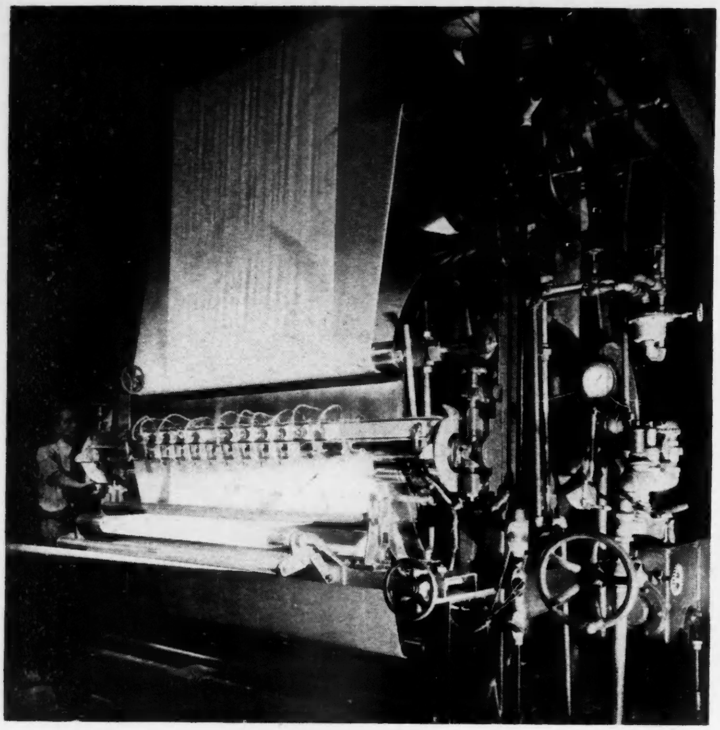
Giving the shirt its last inspection before packing.

Having faced newspaper headlines on the subject of strikes and threats of strikes every day for months, those with an interest in a company's securities are naturally paying great attention to labor relationships. Non-unionized women make up the greater part of those to be found in Cluett, Peabody's various plants. Whether they are completely satisfied, we are not in a position to say. Probably they are not, for what employee is? Certain it is, however, that they are better off working for Cluett, Peabody than for some of Cluett, Peabody's competitors—a fact recognized by union organizers who have been known to make a pointed exception of this particular company in their speeches deploring the textile workers' generally unsatisfactory position. The company has no objection to unionization as such. Its cutters, classified as skilled labor, are unionized. It just so happens that a union does not appear to have very much to offer the average Cluett, Peabody employee and the employee knows it and so does the union.

Apart from the fact that it is gratifying on general grounds to hear of a satisfactory relationship between a company and its employees in these troubled times, it may well in the case of Cluett, Peabody have an important bearing on the company's future competitive position. Should Cluett's rivals, either because of C. I. O. unionization activities or for any other reasons, be forced to raise wages and shorten hours, naturally they would be harder hit than the company whose wages and working conditions top the industry. The latter, of course, might feel some moral obligation to do something along the same lines in order to maintain its leadership, but it may be assumed that the effects would be relatively less damaging.

To the casual observer, it might seem that the business





"Sanforizing" machine which adjusts fabric to its potential wash shrinkage.

"Sanforizing" Grows Fast

Year	Lincensees	Machines	Yardage Treated (Est.)
1931	11	11	20.000,000
1932	15	25	50,000,000
1933	26	43	90,000,000
1934	42	63	125,000,000
1935	50	84	200,000,000
1936	57	113	320,000,000
1937 (1st 3 mos.)	53	119	125.000,000

of making shirts, collars and allied products were one devoid of dramatic developments. This, however, is far from being the case, for every now and then someone introduces something which rocks the business to its foundations. Only a few years ago, for example, S. Liebovitz & Sons, one of Cluett's big rivals, brought out a novel collar in which cellulose acetate plays a prominent part. The application of heat and pressure causes the cellulose to stick the layers of cloth together, giving one a "trubenized," or fused collar. The new style collar is not as durable as the old, but its appearance is good and Cluett, Peabody manufactures a great many shirts with these collars, paying a royalty for the privilege of doing so. Because the Celanese Corp. claims that Liebovitz infringed one of the former's patents in the "trubenizing" process, Cluett, Peabody obtained a license from both companies. Settlement of the patent suit is expected shortly: then, presumably, only one license will be required.

Much more far-reaching than the fused collar is a development of Cluett, Peabody's own—Sanforizing—a process for taking the "shrink" out of cloth. What is more it does not depend upon preliminary laundering or pre-shrinking, but does the job of tightening up the fibers as much as ten washings would, and does it entirely mechanically and at high speed. Truly a process which can, in fact is, revolutionizing the textile industry.

Cluett does not make its own cloth, but it carefully tests, bleaches, finishes it and, of course, Sanforizes every yard. Having ascertained from laundering samples the maximum potential shrinkage of a roll of cloth, a machine is set to bring about just this shrinkage. If it should be 3 per cent, the machine delivers ninety-seven yards for every hundred yards put in it.

Cluett, Peabody has world-wide patent rights on this process and not only does it use the process for its own shirtings, but it licenses others. The number of licensees and the number of machines in operation have been going up by leaps and bounds. Last year the "Sanforized-shrunk" yardage was in excess of 300,000,000 and, if the rate of gain shown so far this year is maintained, it should pass the 500,000,000-mark in 1937. On all this Cluett, Peabody receives a royalty of at least one-quarter-of-a-cent a yard. Last year, the "Sanforizing" patents raised gross income more than $800,000. Although active promotion work and other expenses cut this almost in half, nevertheless the net royalty income of $410,000 was by no means inconsiderable.

Nor are the possibilities even approaching exhaustion. The process is applicable to all kinds of cotton and linen goods. Batiste, Chintz, Crash, Denim, Gabardine, Gingham, Muslin, Organdie, Percale, Pique, Twill, Voile, and other fabrics can all be "Sanforized" to good advantage. One might hazard a guess that the potential market for this shrinkage process is some three billions of yards annually—in other words that last year only about 10 per cent of the potential market was exploited. Nor does this take into consideration the possibilities that exist in its application to fabrics other than those made from cotton and linen. Although "Sanforizing" is not applicable to straight filament rayons, it is applicable to spun rayons and these are coming forward very fast.

Let us return now to Cluett, Peabody's shirt business. Having "Sanforized" and otherwise finished the cloth, it is made into shirts which must then be sold. Today, moreover, they must be sold in accordance with a number of new Federal and State laws. Cluett, Peabody pays no special discounts and such practices as advertising allowances to retailers are definitely "out" so far as it is concerned. This policy may be attributed to C. R. Palmer who became president in 1929. Apart from being successful in itself, it has saved much trouble now that the Robinson-Patman Act is the law of the land. This Act, it will be remembered, prohibits the granting of special discounts and allowances to big customers, or anything above savings that can be definitely attributed to quantity purchases. It is raising merry

hob with the accustomed activities of chain stores and resulted among other things in Sears, Roebuck cancelling its contract with Goodyear for the manufacture of tires.

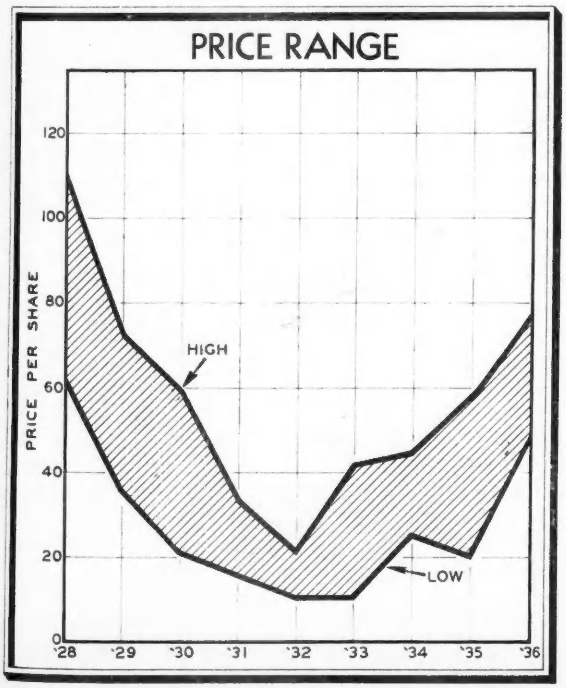
While on the subject of laws and their lack of effect upon Cluett, Peabody, it is to be noted that this applies also to the laws enabling a manufacturer to fix minimum retail prices. We are by no means sure that price-fixing of any kind is a good thing, but the law now says that it can be done and a number of companies that never tried it before are setting minimum retail prices. Under the Palmer regime, however, Cluett, Peabody has long frowned upon price-cutting retailers. For example, it will sell no shirts to R. H. Macy, big New York department store famous for a cash business and the low prices at which it has been quoting trade-marked products of all kinds. However, if you want an "Arrow" shirt from the Macy organization it can be had from the Bamberger subsidiary which carries the line with the understanding that none finds its way to Macy's to be sold in accordance with Macy's general practice.

Although Cluett, Peabody has adjusted its prices from time to time, never even during the depression was an attempt made to "fabricate to a price": quality was always maintained. This made for particularly hard going during the lean years—so hard in fact that between 1930 and 1934 the company abandoned the practice of publishing sales figures. Now, however, with the general increase in purchasing power, the company is beginning to gather the fruits of rigidly maintained quality and is no longer ashamed to look its sales figures in the face. Prior to the depression, sales ran consistently in excess of the $20,000,000-mark. During the depression they dropped to goodness knows where, but they were back above $15,000,000 for 1935 and well above $18,000,000 last year.

With the improvement in sales came an improvement in profit margin. Indeed, last year the ratio of operating income to net sales almost doubled. Unless there should unexpectedly develop offsetting factors, a further gain in sales might be expected to improve the profit margin still further. Net income last year amounted to $1,279,-043, which was equivalent to $5.52 a share on the outstanding common stock after preferred dividend requirements. For 1935 earnings were equivalent to only $1.41 a share of common stock.

Photos in this article by courtesy of Cluett, Peabody & Co.

Ironing by hand—one of the most skillful operations.



The outstanding capitalization of Cluett, Peabody consists solely of 188,291 shares of common stock, senior to which there are 33,990 shares of 7% preferred stock of $100 par value. There is no funded debt, but the balance sheet as of the end of last year disclosed the fact that the company was obligated to banks in the amount of $1,500,000. In order to pay off these loans and finance expansion of the Leominster, Corinth and Atlanta plants, it is proposed to offer additional shares of stock. The first step will be to split the existing stock three-for-one. This has just been voted upon by the stockholders. Following the split, 112,973 shares will be offered in the ratio of one additional share for each five shares held. The price for the new stock has yet to be announced. The old stock, however, is selling for about $90 a share which will mean about $30 a share after the split up. One might expect, therefore, a subscription price of, say, $25 a share. This would give the company roughly $2,500,000 in additional money, or enough to pay off bank loans, pay the $550,000 which is the anticipated cost of the capital expansion and still leave something to add to the cash account. If the expected increase in business materializes, the increased cash probably can be put to good use.

Although Cluett, Peabody issues no quarterly reports and that for the half year is not, of course, available, it was officially stated towards *(Please turn to page 336)*

Price Outlook for Major Crops

Farmer's Purchasing Power is Major Factor in Current Business Prospect

BY C. S. BURTON

In season, crop prospects are always important, but it is unusual for the outlook to hold so much significance for the future as happens this Spring, largely because prevailing business conditions are felt by some to carry a threat of possible reaction. Substantial assurance of continued farm purchasing power would allay no small part of the prevailing uneasiness. Subject to the uncertainties of the weather, there are conditions, that do hold out some measure of such assurance.

Wheat, a cash crop, and the first and most quickly harvested, shows some highlights to be studied. First, we are working back to a normal price relationship between our domestic price and the world price, an export basis, so to say. Wheat prices have been rising steadily since the Spring of 1933, following three successive short crops in the Northern hemisphere and last year's short crop in the Argentine and Australia. Our own farmers, relying in part upon the law of averages and in part upon some intuitive realization of the tight international situation which had been making up, drilled in an all-time record acreage of winter wheat in the fall planting season—57,187,000 acres.

It is during this month of June that our wheat crop must make, must run the gauntlet of its hazards; rainfall, too much or too little, insects, rust, hail, just to mention some of the major crop risks. The spring wheat crop

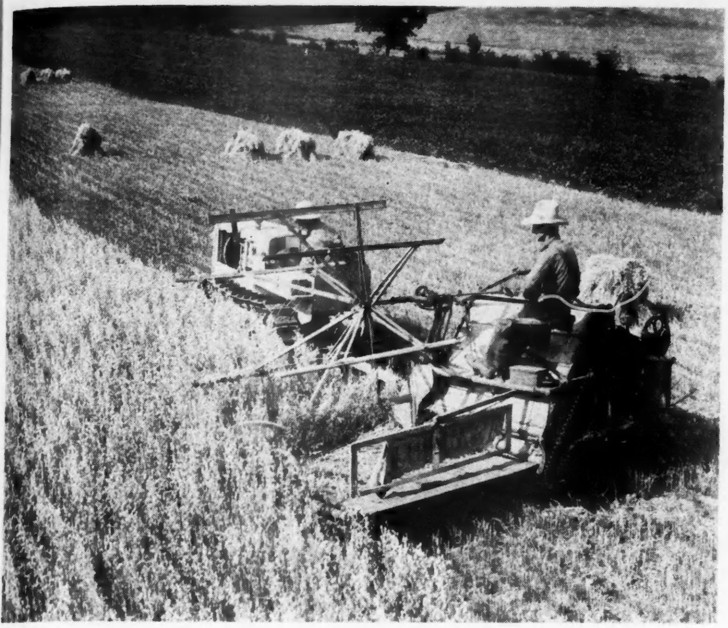
comes along a little later, estimated at 21 million acres. Before we make any figures on the size of the crop, we must cut down the acreage figure to allow for poor "stands" here and there, plowed up to make way for some other crop,—abandonment; to be safe, say 20 per cent, or to have left roughly, 62.5 million acres for harvest.

There have been some drought scares in the Northwest, some rains in the "dust bowl." There are some areas where dry farming has been carried on and the subsoil thereby robbed of moisture where long, slow, soaking rains are needed, with a minimum of run-off. In such fields, a crop can make with just frequent showers, but such a season still leaves the ground dry at depth. The crop is on the laps of the gods, it may be anything within limits.

It is to be expected that the possibilities, huge acreage and a market such as we have had would bring out the pencils of the crop scouts and fill the air with estimates of yields in millions of bushels to be recalculated in millions of dollars over a range of theoretically possible prices.

All such multiplications aside, the fact remains our own stocks of wheat and the world stocks likewise are down to something like irreducible minimums. In a large share of the importing countries of Europe, national effort is concentrated along militaristic lines, workers and soldiers must be fed; the demand becomes one that brooks no denial.

As demand and supply appear at this time, it seems fair to assume that the market will be able to absorb even a bumper crop without more than temporary unsettlement; which is to say that, subject to the size of the crop, we may, with a fair degree of safety, anticipate continued farm purchasing power. We say continued farm purchasing power, having in mind the volume of farm income during the first three months of this year—14 per cent above that of the same period last year and showing a steadily rising trend. One might not be so confident in going thus far, by way of forecast, were food supplies, other than bread-grains and feed-grains, in ample supply, but the world situation as to fats is fairly comparable to that in grain. In addition, late cables state that the grain crops of the central European countries are not showing up well; the acreages in wheat, rye and barley all showing more than average abandonment.



Ewing-Galloway

The biggest wheat crop since 1931 in the making.

Taking our own stocks of old wheat, as of the beginning of the new crop year, July 1st next, as calculated at 90 million bushels, by a later estimate of "Wheat Studies" placed at 65 million bushels, either figure being a post-war low record carryover, we have a situation which creates a hyper-sensitive market.

Our domestic needs will require 650 million bushels, a comfortable carryover would be 150 million bushels as of the end of the crop year June 30, 1938, making thus a total of 890 million bushels. If we take 62.5 million acres to be harvested and the average long time yield, of 12.1 bushels per acre, we could figure the crop around 756 million bushels; a yield such as we had in 1931,—19 bushels per acre, would give us a record crop of more than a billion bushels. The reasons for the "jumpiness" of the market so become quite apparent. In the event of a bumper crop the world import-export trade becomes at once the ruling factor, and the agricultural backlog the concern of everyone. In summing up the world situation, upon which our domestic situation now, happily, rests more directly than in recent years, attention is directed to the accompanying table of wheat production prepared by "Wheat Studies." Concluding a short discussion of price movements, the same authority says:

" . . . even the most favorable crop developments now reasonably in prospect seem unlikely to depress the price of the Liverpool October future below about $1.10 a bushel by the end of August. Corresponding minima for the Chicago September and the Winnipeg October futures would be about 95 cents a bushel. Markedly less favorable crop developments would almost certainly be accompanied by periods of serious concern about crop outcome, during which prices would advance rapidly."

When we turn from wheat to corn, we envision much more work than goes into the small grain. Corn is our banner crop. This Spring we planted or proposed to plant some 94,840 million acres. Of old corn, we have none, but are importing some Argentine corn. With favorable weather, September—the latter half—can see some corn available for the pigs to be made ready for the Christmas market, and probably at advancing prices.

The field hands are "choppin'" cotton as this is written. The acreage planted is figured around 35 million acres. It is too early to say more than that there was improved soil cultivation this year before planting and, apparently, no skimping of fertilizer. The crop can be most anything, a big one or scant. The extent of weevil damage will hold some attention shortly, otherwise, the weather will hold the spotlight. Given average conditions however, a level in the neighborhood of fourteen cents is a fair expectation.

The world has an appetite for cotton as well as for wheat. For the first 8 months (August-March) of the cotton crop year, our mills took 5,292,000 bales, an all-time record. Foreign mill takings are at record levels. Lancashire has more operatives at work than in recent years, but the rise of American cotton exports is smaller than at any time in the like period. Because of our high use at home, it is figured that the world carryover of American cotton as *(Please turn to page 330)*

Wheat Product—Millions of Bushels

Area	1930-34 Average	1936	Prospective 1937
United States			
Winter	552	519	654
Spring	180	107	185—250
Canada	349	229	265—350
Danube basin	312	382	305—360
French North Africa	75	51	64—74
India	356	352	382
Total	1,824	1,640	1,855—2,070
Europe ex-Danube	1,202	1,098	1,080—1,200
Others ex-Russia	257	245	245—265
Northern Hemisphere	3,283	2,983	3,180—3,535

Bond Market Finds Even Keel

Money Rates Firm

BY J. S. WILLIAMS

THERE are very definite signs of improvement in the bond market, a development which promises to have a salutary effect not only in reviving new financing, a highly important element in the general business prospect, but a stronger tone to the bond market also might be expected to act as a potent tonic to investment confidence.

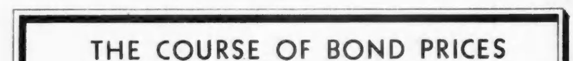
As measured by the New York Times index of forty domestic issues, the bond market since early last January has declined 6.6 per cent. Although the drop in bond prices was much less than the decline in stock prices during the same period, it was sufficiently drastic to bring about a marked contraction in new bond financing, to say nothing of the extent to which general investment sentiment was demoralized as a consequence. Since the first week in April, when the aforementioned index reached the low point of the decline, prices have recovered ½ of 1 per cent. Accompanying this modest upturn, however, price fluctuations have become increasingly narrower. Such a period of growing stability would be a logical prelude to more complete recovery, and an indispensable requisite to the revival of new financing.

The chief factor responsible for the drop in the bond market this year has been the heavy liquidation of investments from bank portfolios. Estimates have placed the total of such bonds at about $1,250,000,000, comprised principally of Government obligations. According to published reports, insurance companies absorbed around $500,000,000 of this total, Federal Reserve banks $100,000,000, Treasury agencies $200,000,000 and the balance of nearly $450,000,000 was taken up by other institutions and individual investors. It is to be doubted, however, that the decline in prices accompanying this liquidation leads logically to the assumption that it may become increasingly difficult for the market to absorb new issues. The amount of available investment capital is still very substantial, if somewhat cautious, a natural attitude following a sharp decline in prices.

It is significant, therefore, and indicative of reviving interest in the bond market that a recent flotation of $10,000,000 Cincinnati Gas & Electric first mortgage 3½s promptly sold at a premium on the same day that they were brought out. The issue, representing *new* funds for the company, was offered at 102½ and at one time during the day 103¼ was bid.

The success of this financing was preceded by a series of developments interpreted constructively by the bond market. Of these, undoubtedly the most important was the practical cessation of bank liquidation. During May there was a progressive falling-off in the volume of bond sales by member banks and the Federal Reserve Banks made no additions to their holdings of Government securities during the month. The major portion of bank liquidation was induced principally by the need to adjust cash positions in anticipation of the increase in reserve requirements on May 1. It is also probable that following the decline in Government bond yields to record low levels last December, banks were not unmindful of the profits which had accrued on this class of investment. Once it became apparent that there was little, if any, hope of a balanced budget and a reduction in public debt, assurance of these profits became more desirable as the risk of subsequent losses loomed ominously in a market supported almost entirely by a single buyer—the banks.

Although the increase in reserve requirements, of which there have been three since August, 1936, reduced



excess reserves from \$3,304,000,000 on December 11, 1935, to \$940,000,000 on May 27, last, the latter figure is almost twice the amount which the Federal Reserve Board estimated would remain after the increase became effective. Even allowing for the higher ratio of reserves to deposits now required, excess reserves are still sufficient to finance a considerable business expansion, with the previous inflationary threat materially alleviated.

With the adjustment in reserve requirements out of the way, one uncertainty, at least, has been lifted from the bond market. Another uncertainty was removed, and a potential force of stability provided, by the decision of the Supreme Court validating the Social Security Act. Under the provisions of this Act, the accumulated reserves must be invested in Government securities. The potential size of the Social Security reserves, as now provided, is so large as to be almost fantastic and has led to the belief that the provisions may be altered to a pay-as-you-go basis. In any event, the Government eventually may well be the largest investor in its own securities. Pursuing this line of reasoning, apparently, the banks have lately resumed buying of Government bonds.

Further strength was imparted to the tone of the Government bond market by the terms of the June 15 financing. An issue of \$800,000,000 U. S. Treasury notes was divided into two series, one half maturing September 15, 1939, and bearing interest rates at 1⅜%, and the other half bearing interest at 1¾%, maturing March 15, 1942. By increasing the interest rate from 1¼% borne by the previous issue of notes sold last December, the Treasury Department assured the success of this latest issue and tacitly admitted the changes which had since occurred in the bond market. As a result banks, insurance companies and other fiduciary funds were large buyers of the new issue, which was substantially oversubscribed.

The official comment of Secretary Morgenthau concerning the higher rate of interest, as compared with the financing of last December, was "a lot of things have happened since then." Doubtless, the Secretary had in mind such factors as the decline in the bond market, mounting commodity prices and the increasing demand for capital from non-government borrowers. Market stability and the continued ability of the Government to compete successfully with municipal, corporate and individual borrowers are vitally essential to safeguard against any breakdown in the policy of "managed money" and all of the serious repercussions which such a development would inevitably produce.

To conclude, however, from the terms of the most recent Government financing that the period of money ease and low interest rates is definitely at an end would be premature. There has been nothing to suggest that the Government has abandoned its easy money policy. In fact the Supreme Court decision on the Social Security Act, the recent decline in commodity prices, and the abatement of inflation psychology all tend to strengthen the Government's hand. The more sensitive money market rates have shown changes so slight as to be devoid of significance and it seems likely that it will be necessary to await more concrete evidence as to the size of farm crops and the Fall business prospect before concluding that higher interest rates are to be expected from this point on.

From a somewhat longer term standpoint, on the other hand, the presence of several factors which may act as a leverage on interest rates cannot be overlooked. Should nothing happen to mar the favorable crop prospect, the Fall crop movement is certain to make heavy demands on the banks. Moreover, a profitable crop will be reflected in many other industrial and retail lines, suggesting greater demands for commercial credit. A continuing rise in wages, finished goods prices and the general cost of living would seem inevitably destined to exert a corresponding influence on the trend of interest rates. All of which must be in the minds of corporate managers planning long term financing. Once they are assured that the decline in the bond market has been arrested and that investment buyers have regained their interest in new purchases, the volume of new financing will take a decided spurt, in an effort to forestall any increase in interest rates.

Bond flotations in May fell below \$100,000,000 for the first time in nearly two and a half years, reflecting postponement of many new bond issues awaiting better market conditions. Upwards of \$200,000,000 in new bond flotations are registered with the S E C, and which may be expected to come *(Please turn to page 335)*

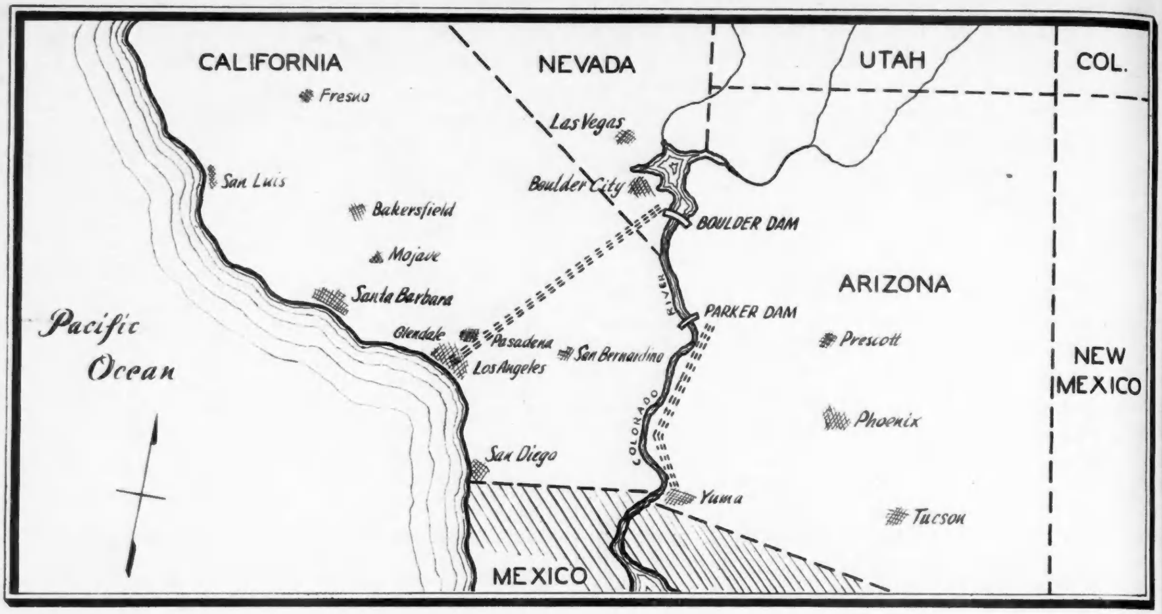
Bond Suggestions

High Grade Issues

Issue	Recent Price	Price Range 1937 High	Price Range 1937 Low	Current Yield
American Tel. & Tel. Deb. 3¼s, 1966	99¾	102¾	96⅜	3.3
Bethlehem Steel Cons. 3¾s, 1966	96	99½	92⅝	3.9
Chesapeake & Ohio Ref. "E" 3½s, 1996	98	102⅞	95¼	3.6
Cleveland Union Term. 4½s, 1977	102	105½	99½	4.4
Commercial Credit Deb. 3¼s, 1951	98⅝	100⅞	94	3.3
Crane Co. Deb. 3½s, 1951	99	103	97	3.6
N. Y. Central, Lake Shore Coll. 3½s, 1998	92	98¾	88½	3.8
N. Y. Edison 1st & Ref. 3¼s, 1965	100¼	105½	97	3.2
Standard Oil (N. J.) Deb. 3s, 1961	98	102	95	3.1
Union Pacific Deb. 3½s, 1971	96½	101½	92¾	3.6

Medium and Second Grade Issues

Issue	Recent Price	Price Range 1937 High	Price Range 1937 Low	Current Yield
Allied Stores Deb. 4½s, 1950	99½	101½	98¾	4.6
Atlantic Coast Line Gen. & Unif. 4½s, 1961	92	99⅞	88½	4.9
Central Pacific Gtd. 5s, 1960	98½	104¼	97	5.1
Columbia Gas & Elec. Deb. 5s, 1952	100	105	100	5.0
Erie R. R. Ref. & Imp. 5s, 1967	80	89	78⅛	6.3
International Paper Ref. 6s, 1955	98½	101¾	97¼	6.1
International Tel. & Tel. Deb. 4½s, 1952	70	75	63¼	6.4
Missouri-Kansas Texas 1st 4s, 1990	86	96¾	84¾	4.7
Republic Steel Gen. "C" 4½s, 1956	97½	100	96	4.6
United Drug 5s, 1953	97¾	103⅝	95½	5.1



What Federal Power Means to Industry and Investors

PART III—BOULDER DAM

BY FRANCIS C. FULLERTON

ALTHOUGH Boulder Dam was not conceived as part of the present Administration's hydro-electric plans, it is a legacy from the Coolidge regime which is destined to play a prominent role in Government power. Washington's power policy is still somewhat obscure despite the President's recent message to Congress which was followed immediately by the introduction of bills in the House and Senate. The Senate bill would set up immediately six additional authorities on the order of T V A. The House bill, while similar in some respects, is quite different in others: it provides, for example, that the rates of these regional power authorities shall be approved by the Federal Power Commission.

The Tennessee Valley Authority was discussed in the May 8 issue of this publication. Of this project one can only say that it is enough of an experiment in socialism resting on Federal power without creating half-a-dozen or so more before the first has had time to prove itself. Prior to the discussion of T V A, the Government's activities in the Columbia River Basin appeared in the issue of THE MAGAZINE OF WALL STREET for March 27. The following article has to do with the large-scale operations which are being carried out on the Colorado River.

Site of Boulder Dam—On the Colorado River which here divides the states of Nevada and Arizona. The actual site is at Black Canyon some twenty-odd miles east of "wide-open" Las Vegas. Boulder Canyon where it was originally proposed to build the dam—the dam which was once named "Hoover"—lies some way up the river. The map above shows the river, the dam and important features of the surrounding territory. The dotted lines indicate main power transmission lines to principal cities.

The Dam Itself. Is a monstrous, curved structure of concrete with the convex face headed upstream. It is 730 feet tall, almost as tall as the Woolworth building and the highest dam in the world, 650 feet broad at the base and 45 feet broad at the top. The road along the crest is 1,232 feet long. Lake Mead, now slowly forming as the waters back up behind it, will be well over a hundred miles long and forty miles wide.

As adjuncts to the dam itself there are water intake towers, penstocks down which it flows to the giant turbines which will run the generators. Fully equipped, the Boulder Dam power plant will have a total capacity of 1,835,000 horsepower, or four times that of Niagara.

The Cost. The Boulder Dam Project Act was approved by President Coolidge towards the close of 1928 and authorized an expenditure not to exceed $165,000,000.

The Purpose. Not being an idea of the "New Deal," it is evident that Boulder Dam was not constructed in a spirit of antagonism to private electric utilities and with the idea of setting up a "yardstick" for electric rates. As a matter of fact, control of the Colorado River is something that had been simmering for years and when finally the time came to attack the problem the actual construction was carried out by private contractors.

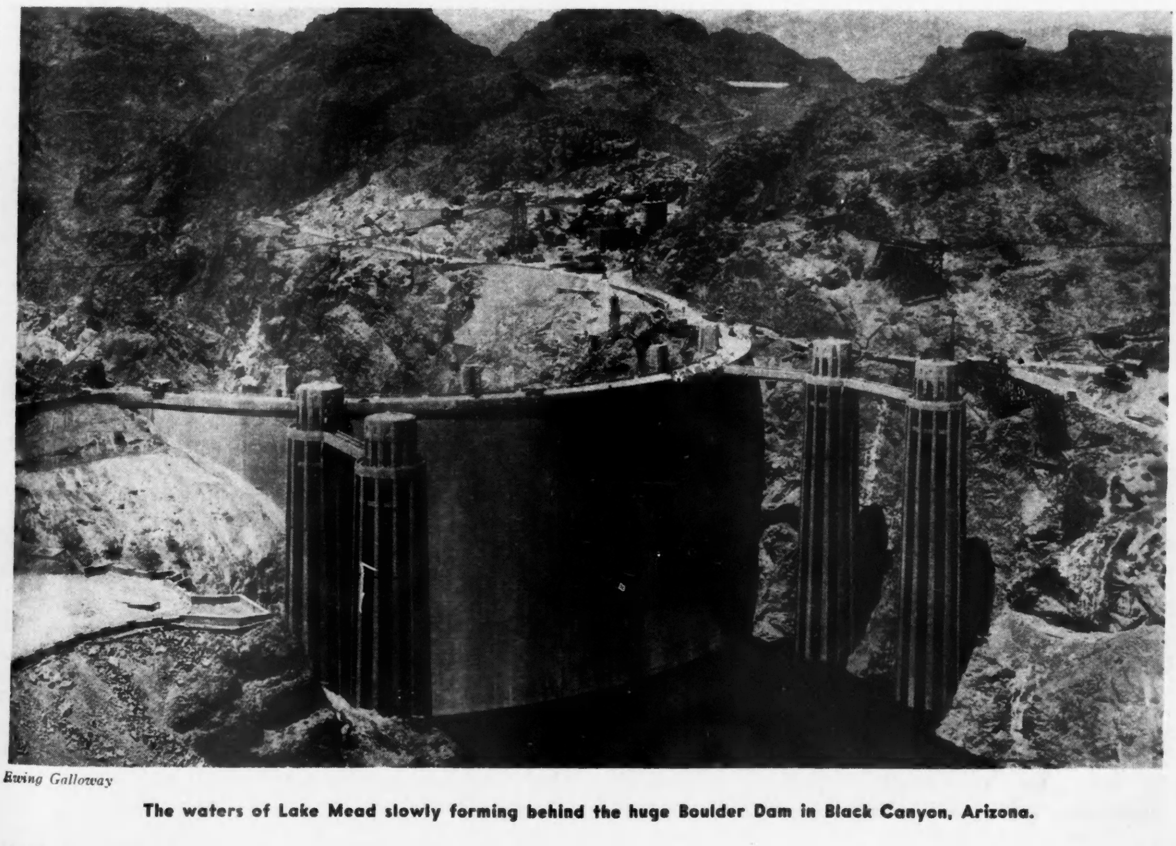
In connection with its newer dams the Government is at pains to stress that the purpose is flood control as well as the production of electric power. In many cases this attitude is patently at variance with the facts, but not in the case of Boulder Dam. For years the Colorado River has periodically run wild and innundated the desert farms that it was merely supposed to irrigate. The dam will offer what promises to be effective control. The conservation of water also may be considered a valid objective, although insofar as this will open up a million-and-a-half acres of new land at a time when the Administration is pursuing a policy of scarcity in regard to agricultural production, it is an objective whose consistency may be questioned. Partly explaining the inconsistency is the fact that water is to be conserved for domestic use as well as for irrigation.

At this point, if the Boulder Dam project is to be seen in its correct perspective, a digression must be made. Famed for its climate, Southern California quite obviously is not an area enjoying copious rainfall. The needs of a population growing enormously fast quickly exhausted the possibilities of obtaining a water supply from the streams. The people turned to wells, but it was not long before they began to lower the water table. Disaster so clearly threatened that thirteen of the cities menaced got together and formed the Metropolitan Water District of Southern California whose objective it was to tap the Colorado for a new water supply. In 1930 the cities voted overwhelmingly in favor of a $200,000,000 bond issue for the purpose of constructing an aqueduct over the mountains. To date more than half the issue has been taken by the R F C, the work being started in December, 1932. It will be finished early in 1939.

The project is an ambitious one to say the least. A hundred-and-fifty miles below Boulder Dam water will enter the aqueduct system from the Parker Dam. It will be pumped 291 feet to a reservoir, pumped again to a tunnel and, after having passed through more tunnels, conduits, canals and pumping stations, it will finally enter the distributing system of the Metropolitan Water District. The Colorado's water will be lifted in all more than 1,600 feet and it will pass through thirty-eight tunnels on its 335-mile trip to the coast.

The connection between Boulder Dam and the Metropolitan Water District is that it will be the power generated by the former that will pump the latter's water.

The District has contracted to take at least 36 per cent of Boulder's power for fifty years. Others that have contracted for power, or for which power has been reserved, include the states of *(Please turn to page 328)*



Ewing Galloway

The waters of Lake Mead slowly forming behind the huge Boulder Dam in Black Canyon, Arizona.

How to Uncover Opportunities in Out-of-Line Stocks

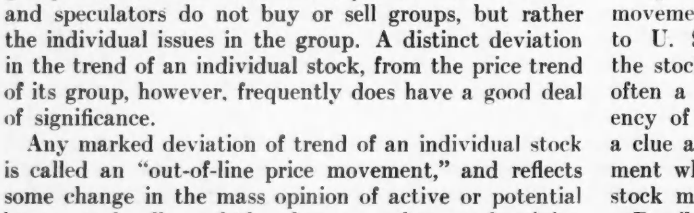
BY FREDERICK K. DODGE

Valuable clues frequently are obtained by a careful interpretation and systematic recording of the relative price movements of securities. The term "relative" is used advisedly, for absolute price movements seldom have any significance beyond the emotional excitement of calculating an individual profit (or loss) from a given transaction. What is worth recording is not so much whether a stock advances or declines in price, but its price movements in relation to movements of other issues of similar classification or of the market as a whole. Recording the price movements of stock groups likewise has little value, *per se*, since investors and speculators do not buy or sell groups, but rather the individual issues in the group. A distinct deviation in the trend of an individual stock, from the price trend of its group, however, frequently does have a good deal of significance.

Any marked deviation of trend of an individual stock is called an "out-of-line price movement," and reflects some change in the mass opinion of active or potential buyers and sellers of the shares—a change of opinion which in turn is based on new developments or undisclosed facts. One's attention might be focussed upon such change in sentiment toward a given stock by a systematic study of out-of-line price movements. General impressions relative to stock price movements are apt to be vague and unreliable. If one is interested in, say U. S. Steel common, and notices a sharp advance in price, it is possible that the move is wholly in line with the performance of the market as a whole or with other representative steel stocks. Unless the actual price changes are recorded for both Steel common and for a dependable group index of steel stock prices, the deviation cannot be determined accurately.

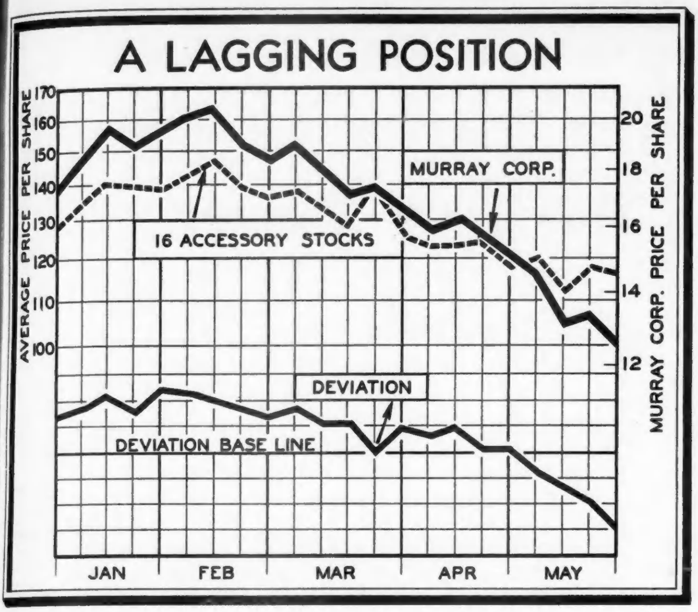
The plotting of both Steel and of the steel group index is apt to show clearly, however, whether the price movements reflect a general shift in opinion peculiar to U. S. Steel Corp., to the steel industry or to the stock market as a whole of which Steel common is often a recognized "leader." Furthermore, the persistency of the deviation shown by actual plotting gives a clue as to the importance of the underlying development which is responsible for a change in opinions of stock market participants relative to this issue.

Possibly the price movement is in response to some purely transitory development, which would not warrant a sustained change in price relationship. The practical value of any study of out-of-line price movements, therefore, lies in ascertaining what kind of influences to look for in accounting for a particular advance or decline in price—a general market factor, a trade factor common to other companies in the industry or a development that will have more than transitory influence on the supply and demand for Steel shares over an extended period.



With the purpose of the study of out-of-line stock movements thus briefly indicated, the practical application is best illustrated by getting down to cases. In the accompanying chart, the weekly price changes of Miami Copper are plotted from October 31, 1936, to May 28, 1937, on a logarithmic scale in order that the comparison with The Magazine of Wall Street index of ten leading copper stocks might be measured from week to week. The percentage deviation is plotted as the bottom line.

It will be noted that during the first six weeks, the line AB shows no sustained deviation. Although copper prices had been



rising gradually to above 10 cents a pound, Miami's production was still restricted, as compared with the lower cost producers then stepping up production rapidly. In the period BC, however, copper prices advanced sharply to the 13-cent level, but more important still, Miami's mining operations were stepped up sufficiently to give production comparable with the larger producers in relation to capitalization. This established a new "in line position" that is well indicated in period CD. When copper prices declined from the 17-cent peak early in April to the present 14-cent level, the marginal producers, such as Miami, were under more pressure than the copper group as a whole. With the price of copper stabilized during May, Miami corrected most of the DE deviation by doing better marketwise than the copper group.

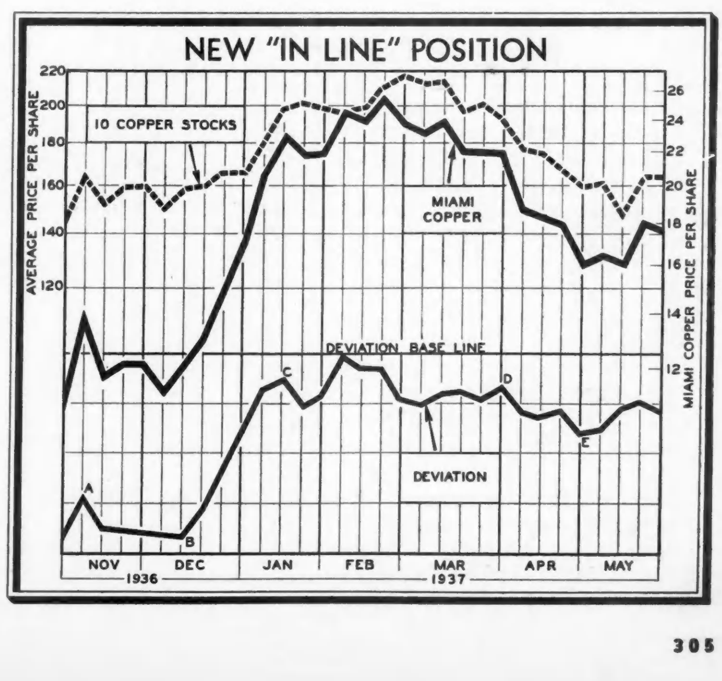
What can we learn from this chart of Miami and the copper group? In the first place, the relationship of Miami shares to fluctuations of the price of the metal is clearly shown to be more accentuated when copper prices are higher than the company's production costs. Recognition of this relationship makes the recent price movements of the shares more comprehensible. The inference is also warranted that wider appreciation possibilities are inherent for an issue such as Miami than for the higher priced, low production cost copper stocks, when trade developments or metal price changes are favorable.

The chart of Loew's common stock, measured for deviation from the price movements of THE MAGAZINE OF WALL STREET index of six amusement (motion picture) issues furnishes an interesting example how market action might foreshadow an otherwise undisclosed improvement in earnings. Selling approximately ten times reported earnings at the beginning of the year, the market action of Loew's shares during January and March was about in line with the general price trend of the market and would have attracted little attention. Yet, plotting the price performance of Loew's against the amusement group, a distinct deviation is evident from the start of the year, both during the period A to B while the amusement group was moving within a relatively narrow range and during period B to C while the amusement group was under pressure of a general market decline.

Out-of-line movements of this type are usually significant of a constructive company development. Better than average earnings in this case which in turn attracted better than average buying in the shares. The deviation from the group in the case of Loew's stock was apparent before publication of an unusually favorable first quarter report (for 12 weeks ended November 19, 1936) around the middle of January and had become even more conspicuous by the middle of April, when even better earnings for the second quarter were published.

There is no indication that the adjustment of Loew's shares to a higher level in relation with its group (or with the market as a whole) is as yet completed. To support further deviation are present indications of earnings of better than $9 a share for the current fiscal year, the best showing on a per-share basis, with one exception, in the history of the company and a rate of earnings that suggests further distributions before the end of August because of the undistributed profits tax liability.

Murray Corp. shares are plotted for their deviation from the automobile accessory group since the start of the year, as an example of an "out-of-line" movement on the part of an issue which displays poorer than average market per- *(Please turn to page 333)*



Recovering Earning Power

Territory Served Assures Large Traffic Volume

BY WARD GATES

WHETHER a given railroad has a reasonably good chance of recovering a satisfactory earning power—assuming eventual return of national prosperity—depends upon the volume and character of traffic available in its territory, the rates it is permitted to charge for its services and the cost of its operations, including taxes and fixed charges.

The subject of this study is Southern Railway. During our last era of good times earnings on the common stock of this road usually were above $12 a share and dividend policy was liberal. Earnings on the $5 non-cumulative preferred stock usually were better than $30 per share. With the common now quoted at 37 and the preferred around 48, it follows that recovery by this system of any substantial proportion for former prosperity earnings should offer potentiality of very large percentage appreciation in these stocks. Let us see.

Not long ago this writer chanced to read an "analysis" which painted a somewhat dismal future for Southern Railway because, among other things, (1) cotton was very important to it and loss of much of our world market in cotton meant less cotton to be hauled over the railroads; because (2) bituminous coal is the biggest item by far in Southern's tonnage, and bituminous coal is not only a dying industry but its death in the South will be speeded by T V A hydroelectric power; because (3) the Southern lumber industry is losing out to the Pacific Northwest; and because (4) there is little prospect that the agricultural South will be industrialized sufficiently to change the picture for this railroad.

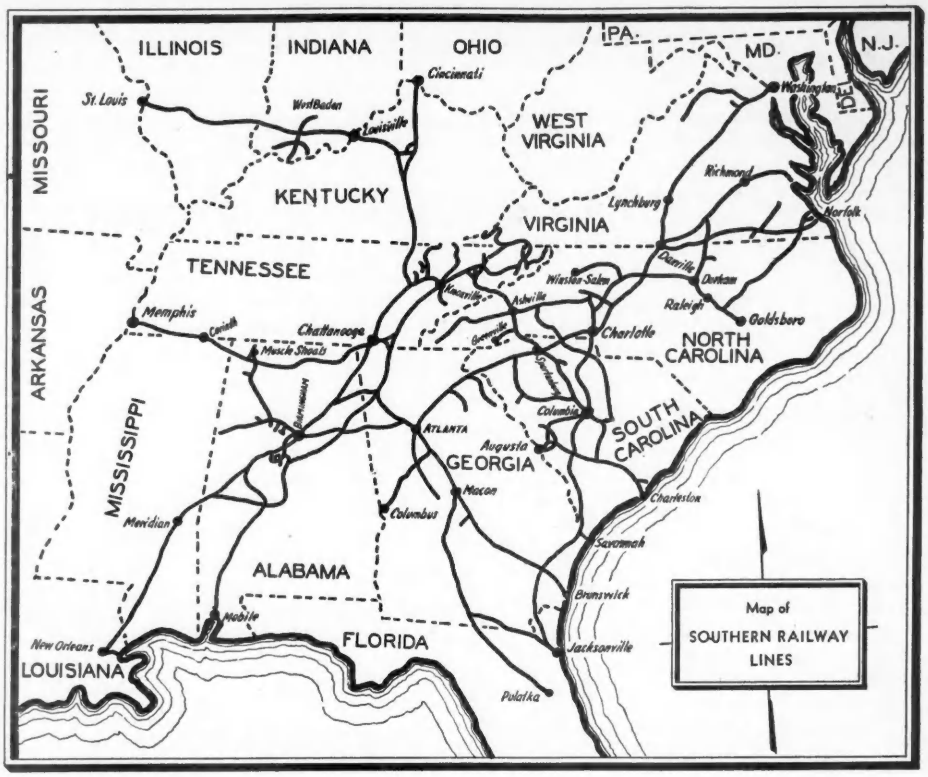
Among the four above generalizations exactly four are erroneous in whole or in part. Contrary to popular impression, Southern Railway's most important freight consists of manufactured goods and materials used chiefly in industry. Cotton makes up only 3.35 per cent of total tonnage moved in an average year and usually accounts for about 2.75 per cent of gross operating revenues. Bituminous coal, which is not as close to death as some mourners think, makes up about 32 per cent of freight tonnage but, rates being low, brings in usually only some 13 per cent of gross revenues. Less-than-carload freight in recent years has accounted for about 16 per cent of gross revenues—or more than has bituminous coal—although it makes up less than 5 per cent of tonnage.

Manufactured goods make up about 27 per cent of tonnage but nearly 31 per cent of gross revenues. Products of forests, topped by lumber, account for approximately 11 per cent of tonnage but only some 6 per cent of gross revenues. All products of agriculture account

Pictures Inc.

Air-view of Atlanta, one of the Key cities on the Southern Railway system.

for only 10.98 per cent of tonnage and for, roughly, 13 per cent of gross. Including coal, all mine products make up 45 per cent of tonnage but only 17 per cent of gross revenues. Animal products contribute only a trifle more than 1 per cent of tonnage but about 2.50 per cent of gross. Passenger revenues amount to 10 per cent of the total, with mail, express and miscellaneous services making up the rest.



Bearing upon the question of industrialization in the South, suffice it to note from the record that whereas this road's total operating revenues last year were about back to the level of 1931, the proportion of such revenues deriving from manufactured goods had increased, as compared with 1931, by more than 20 per cent. In freight movement, this gain more than offset moderate decline in revenues from agricultural products—largely due to crop curtailment—and static level of traffic in mine, forest and animal products.

Moreover, so greatly had operating efficiency been increased—for instance, freight train car miles per car day in 1936 increased 53 per cent over 1931 performance—that on gross 1936 revenues slightly less than in 1931 railway operating income was more than double that of 1931 and closely approaching figure for 1930, although on basis of gross some 23 per cent under the 1930 level.

The breakdown of gross revenues heretofore presented shows a healthy diversification of freight traffic, with combined manufactured, miscellaneous and L-C-L freight the largest revenue factor. These classes of freight, be it noted in further demolition of the myth that Southern is a "cotton road," make up a bigger percentage of Southern's total operating revenue than is true either of Pennsylvania or New York Central, two outstanding "industrial territory" systems. This will be less surprising when one observes from the accompanying map that this railroad taps industrial or mining areas in Missouri, Illinois, Indiana and Ohio, as well as industrial cities in Kentucky, Tennessee, Alabama, the Carolinas and Virginia. Important cities on its lines include St. Louis, Evansville, Cincinnati, Louisville, Washington, Norfolk, Greensboro, Winston-Salem, Charlotte, Columbia, Savannah, Charleston, Atlanta, Jacksonville, Knoxville, Chattanooga, Birmingham, Memphis, Mobile and New Orleans.

In examining potentialities for future traffic in this territory, not much is to be expected of passenger business. This reached its peak in 1923 and in that year brought Southern revenues of more than $33,000,000. Passenger rates were then more than a third higher than at present, and each year use of automobiles took greater toll. By 1929 Southern's passenger revenues had fallen to $22,000,000. By 1934 they had dropped to $8,003,000, reflecting both continuation of a basic trend and the effects of acute depression.

There is considerable evidence, however, to suggest that the long decline in passenger traffic has ended and that a partial recovery, especially in long-haul traffic, can be expected as a result both of increasing congestion on the highways and the increased comfort and speed of rail passenger service. It is, of course, not to be expected that anything like former peak passenger business can be regained. Southern's passenger business last year amounted to $9,846,400, a gain of 17.40 per cent over that of 1935. This reflects not only general economic recovery but in some measure probably a more enduring return of passengers to the rails under the lure of radically improved service.

In the main, however, Southern's prospect depends on freight. Like most railroads, it has undoubtedly lost a portion of traffic permanently to motor truck competition, but this is a relative matter and has been a much less important cause of the low level of revenues in recent years than the simple reality of general depression and resultant inadequate movement of goods, especially of durable goods which normally make up a vital portion of railway freight and which for inherent reasons are better suited to rail than to motor transport.

Given a restoration of the per capita business activity and national income that *(Please turn to page 332)*

Profit Opportunities in Seven Low-Priced Issues

Now Selling at Low Ratio to Earnings

BY STANLEY DEVLIN

Parker Rust-Proof Co.

Earnings Per Share 1st 3 mos. 1937	Earnings Per Share 1st 3 mos. 1936	Regular Divs.	Recent Price
$0.77	$0.58	$1.50	$23

Although classified as a "specialty" company, a condition which frequently implies that the shares harbor a greater measure of investment risk, Parker Rust-Proof Co. supplies an important product, its background of earnings has been excellent and output has expanded materially to supply the demand of new users. The company owns patents covering the Parker and Bonderite processes for the manufacture of rust-proofing chemicals which are sold throughout the United States and in European countries. These chemicals are utilized for a wide variety of purposes, including rust-proofing of nuts, bolts, screws and castings, and flat surfaces, such as automobile bodies and electric refrigerators. Constant research has had the effect of expanding the company's markets and some of the newer fields include manufacturers of gasoline pumps, air-conditioning equipment, time recorders and steel cabinets. A further result of research activities has been a material reduction in the time required for successful rust-proofing applications. As a consequence, considerable competitive advantage has been gained for the company's processes.

Profitable operations were sustained throughout the depression and last year net income of $1,080,646 was the largest since the present company was organized in 1929. Profits in 1936 were equal, after preferred dividends, to $2.51 a share on the outstanding common stock. This compared with $2.24 a share earned in 1935. Early last year, the number of common shares outstanding was increased by the issuance of 3 shares of new $2.50 par common stock for each share of old common, no par, stock. Giving effect to this increase, common stock outstanding now amounts to 429,498 shares. Ahead of the common are only 2,806 shares of 7% preferred stock. Last year, in addition to regular dividends of $1.50 a share, a payment of 82½ cents a share was made at the year-end to avoid a sizable surplus profits tax. Of particular significance in relation to prospective earnings, is the considerable increase in the number of potential users of the company's products made possible by a contract obtained from American Rolling Mill Co. last year, under which the latter will produce "Paintgrip" sheets. As a result, it will be possible for manufacturers who might otherwise find it inconvenient or too costly to install rust-proofing equipment, to procure Parker-treated steel direct from the mills.

While the probabilities are that current earnings gains will be moderate rather than spectacular, it appears certain that results will exceed last year and substantially in excess of the present $1.50 dividend. With the additional evidence of the company's comfortable financial position, further generous extras will doubtless be paid. Recently selling at 23, the shares are both reasonably priced and afford an attractive income yield.

National Acme Co.

Earnings Per Share 1st 3 mos. 1937	Earnings Per Share 1st 3 mos. 1936	Regular Divs.	Recent Price
$0.58	$0.28	See Text	$19

The National Acme Co. is one of the prominent manufacturers of machine tools, specializing in single and multiple spindle automatic screw machines, turret lathes and chucking machines. The company's products also include screw machine products and threading tools.

The machine tool industry, as a whole, has been one of the brightest spots in the current industrial picture. April orders set a new all-time record and many manufacturers have orders on their books which should insure capacity operations for five to six months, at least. Foreign demand has been particularly strong. Moreover, interest in new machine tools has shown no signs of diminishing, as might well be expected in the face of the urgency with which industry, as a whole, is seeking new ways and means of cutting costs through labor-saving devices.

Despite this exceptionally favorable background, and a marked improvement in recent earnings, the shares of National Acme are selling at a level which would seem to commend them as a desirable speculative opportunity. The nature of the company's business is such that earnings are subject to rather sharp fluctua-

tions and from 1930 to 1934 deficits were shown. In the past three years, on the other hand, profits have risen steadily and net available for the shares last year recorded a gain of 170%, having been equivalent to $1.37 a share, comparing with 51 cents in 1935. The company's operations are geared rather closely to the automobile industry, a condition which may partly account for the fact that the shares, at recent quotations around 19, are selling at a comparatively low ratio to earnings. National Acme, however, is not fully dependent upon the automobile industry, drawing important customers from other industrial fields and export business, as well, is quite sizable.

Last year $827,000 of first mortgage 6% bonds were retired, and funded debt now totals $750,000 4½s due 1946 and $600,000 in notes maturing November 30, 1938 to 1941. Outstanding capital stock totals 500,000 shares, on which dividends aggregating 75 cents were paid last year. An interim dividend of 25 cents was recently declared and with earnings equal to 58 cents a share in the first three months, the prospective showing for the full 1937 year suggests the possibility that dividends may exceed $1.

Plymouth Oil Co.

Earnings Per Share 1st 3 mos. 1937	1st 3 mos. 1936	Regular Divs.	Recent Price
$0.61	$0.34	$1.40	$26

Since the beginning of the current year there have been two increases in the price of crude oil, aggregating 20 cents per barrel. Higher crude prices promise to have a salutary effect upon the earnings of Plymouth Oil Co. Only a portion of the price increase was represented in the company's profits for the first quarter of this year, but nevertheless earnings were the equivalent of 61 cents a share, as compared with 34 cents in the corresponding period of 1936, an increase of 77%.

Although the activities of Plymouth Oil Co. and its subsidiaries embrace the refining of petroleum and the operation of a pipe line, both of these are conducted on a comparatively small scale and primarily the company is a producer of crude oil. Plymouth's total net production last year amounted to 4,140,657 barrels, an increase of approximately 44% over 1935. This marked gain was made despite strict adherence to pro-ration schedules. The company also made important additions to its reserves. Although, during the depression, the company maintained operations on a profitable basis, earnings declined sharply from $2.13 a share in 1929 to 79 cents in 1931. In 1932 the equivalent of $1.68 per share was earned, followed by a drastic decline to 5 cents a share in 1933. Since the latter year, profits have risen gradually, being equivalent to 64 cents a share and 70 cents per share in 1934 and 1935, respectively. Net earnings last year totalling $1,739,681, recorded an increase of approximately 137%, and were equal to $1.66 per share on the capital stock. Moreover, last year there was a substantial increase in charge-offs for abandoned wells, intangible drilling costs and leases surrendered. Although the company has bank loans outstanding in the amount of $2,500,000, the only capital obligation consists of 1,050,000 shares of stock.

It is quite likely that demand for crude oil this year will establish a new high record, which prospect coupled with increased prices lend considerable weight to official estimates that Plymouth Oil will earn $3 a share or better. Such a showing would compare with the present $1.40 annual dividend, suggesting that not only are the shares in line for a generous extra, but at prevailing quotations around 26 are a worthy candidate for speculative funds.

Warner Brothers Pictures, Inc.

Earnings Per Share 1937*	1936*	Regular Divs.	Recent Price
$1.03	$0.48	None	$13

* 26 weeks ended Feb. 27

For some months the motion picture industry has been showing vigorous improvement, reflecting principally the improved quality of feature releases and the larger attendance at theaters, stimulated by increasing employment and higher wages. Confirming this trend, Warner Brothers Pictures recorded a substantial gain in profits for the twenty-six weeks ended February 27th, last. Net profit of $4,040,389 was equivalent, after allowing for dividend requirements on the $3.85 preferred stock, to $1.03 a share on 3,701,090 shares of common stock. The latest showing was an increase of more than 100% over that for the corresponding period of 1936, when net profits of $1,976,245 were equal to 48 cents a share of common stock.

One of the leading producers of motion pictures, Warner Brothers also operates an extensive chain of theaters, numbering about 425 units. The company has been particularly benefited by rising theater attendance. Operating costs of the theaters division are comparatively rigid, with the result that when total admissions exceed a level sufficient to meet the "pay point," net profits rise rapidly. It is probable also that theater profits have been aided by moderate increases in admission prices and a lowering of operating costs through the elimination of such features as "Bank Nights" and other similar stimulants to attendance employed during the depression.

Aside from the evidence of increasing business volume, additional significance attaches to the recent improvement in Warner Brothers' earnings. On September 1, 1939, the company has a maturity of $30,700,000 debenture 6s. Better earnings will unquestionably facilitate the formulation of a suitable financing program to take care of this maturity. It is also to be assumed that the company is desirous of refunding other long term indebtedness outstanding in the amount of $45,109,191 into lower coupon issues. Moreover, accumulated dividends on the $3.85 preferred stock amounting to $19.25 per share, or $1,984,810, must be eliminated before any payments can be made to common shareholders. There has been some improvement in the company's financial position, but with the current producing program calling for sixty feature releases, the company could doubtless use additional working capital to advantage. There has been no official intimation as to what form this financing program will take, and definite announcement may be

deferred until the end of the current fiscal year, August 31st. The probabilities are, however, that the sale of additional common stock will be involved.

While frankly speculative in character, among lower priced issues, the shares of Warner Brothers Pictures, currently quoted around 13, may be conceded interesting possibilities for price appreciation. Given the benefit of further improvement in earnings, the presence of a high leverage factor for the common shares might well have the effect of enhancing these possibilities.

Atlas Plywood Corp.

Earnings Per Share 1st 9 mos. 1937	1st 9 mos. 1936	Regular Divs.	Recent Price
$2.32	N.F.	$1.50	$23

N.F.—Not available.

It is a safe conclusion that earnings of the Atlas Plywood Corp. for the fiscal year ended June 30, will record a substantial gain over the 1936 fiscal period. In the latter year, the company's net income of $136,783 was equivalent to $1.04 a share for the common stock. Preliminary report for the nine months ended March 31, last, however, showed earnings considerably higher than for the entire 1936 fiscal period. Net of $339,988 was equal, after all charges and dividend requirements on the $1.25 preferred stock, to $2.32 a share on the outstanding common.

This marked improvement in the company's earnings reflects its participation in the general business upturn. Atlas Plywood is one of the leading manufacturers of plywood packing cases, used in the transportation of more than two hundred varieties of merchandise, ranging from furniture and refrigerators, automobiles and electrical equipment, to radios, textiles and soap products. The type of product manufactured by the company offers such advantages as lightness in weight, economy, protection, and the ability to withstand rough handling. Although the business is not particularly dynamic, it does have an element of indispensability.

The company is moderately capitalized, the 134,095 shares of common stock being preceded by 70,000 shares of $1.25 convertible preferred stock. The latter issue was sold late last year, the proceeds being utilized in the retirement of $1,584,000 5½% debentures. The preferred shares have a convertible feature, enabling holders to convert into the common stock on a share-for-share basis.

Two quarterly dividends of 37½ cents per share have been paid on the common stock this year. Assuming maintenance of the $1.50 annual rate, it would be to the advantage of preferred shareholders to accept the convertible feature. Further, assuming full conversion of the preferred stock, outstanding common would be increased to 201,100 shares, or a dilution in equity of some 50%. On the increased amount of stock, earnings for the nine months period ended March 31, this year, would have been equivalent to $1.69 per share, or at the rate of something better than $2 per share annually. On this basis, the common shares are reasonably appraised at 23 and afford a yield of better than 6%, on the basis of a $1.50 annual dividend.

Bridgeport Brass Co.

Earnings Per Share 1st 3 mos. 1937	1st 3 mos. 1936	Regular Divs.	Recent Price
$0.55	$0.30	$1	$16

Bridgeport Brass Co. is engaged in the production of brass, copper and other alloys in various forms, together with the manufacture of an extensive line of finished products such as tubular plumbing goods, automobile tire stems, etc. The company's customers are drawn from such industries as automobile accessory, public utility, railroad, railroad equipment and building. In effect, therefore, the company's fortunes are largely determined by the demand for durable and consumers' capital goods.

Deficits were shown in the three years ended with 1932. Since the latter date, however, earnings have undergone steady improvement. Net income increased from $314,582 in 1933 to $726,618 in 1935. Last year a net profit of $1,076,201 was equivalent to $1.46 a share on 739,592 shares of capital stock, outstanding at the end of the year. Per-share earnings last year compared with $1.12 a share in 1935, and were in excess of previous expectations.

Early last year, Bridgeport Brass issued 81,288 shares of stock, utilizing the proceeds to discharge $400,000 bank loans and for expenditures of $450,000 for replacements and improvements to plants and equipment. On the basis of the 741,519 shares outstanding in the first quarter of the current year, net of $410,413 was equal to 55 cents a share, compared with 30 cents a share on a considerably smaller number of shares in the corresponding period of last year. Another increase in the number of outstanding shares occurred this past April when 185,398 shares were issued to shareholders, the proceeds to be devoted to the erection of a new rolling mill at an estimated cost of $2,300,000 and which will have an estimated capacity of 6,000,000 pounds of brass and copper products per month.

This latter may be construed as indicative of the management's confidence in the continued vitality of business recovery. The probabilities are that this year, at least, the company will have the benefit of a larger demand from such important consumers of its products as public utilities, railroads and private construction.

Last year a total of $1.05 a share was paid in dividends, of which 65 cents a share represented extras and special disbursements. Recently, the quarterly rate was increased from 15 cents to 25 cents, and with a good chance that earnings this year will be in excess of $2 a share, the expectation of another increase or an extra dividend appears to be well founded. In the circumstances, the speculative acquisition of the shares, at recent levels of around 16, may well prove a profitable venture.

U. S. Hoffman Machinery Corp.

Earnings Per Share 1st 3 mos. 1937	1st 3 mos. 1936	Regular Divs.	Recent Price
$0.74	$0.37	None	$18

The principal division of the business of U. S. Hoffman Machinery Corp. is the (*Please turn to page 336*)

Outlook for Liquor Stocks

Unsolved Problems Press on the Industry

BY EDWIN A. BARNES

If there is one thing more than any other which representative liquor stocks may be said to have in common, it is their market inertness, a feature which has characterized this group for some months and despite the fact that most of them offer good earnings, generous dividends and yield, and a comparatively low ratio of price to earnings.

Does this condition, therefore, imply that the market looks with some skepticism on the outlook for the liquor industry? Probably, to some extent, for there are several adverse factors present which might have a restricting effect upon earnings. To us, however, it appears that to a greater extent, the market action of liquor shares reflects the general belief that while earnings of leading distillers may continue to be fairly good, the possibilities for any material increase in the recent level of profits are rather limited. In other words, the liquor industry has now acquired the same aspects as the cigarette, food and other industries whose products enter into direct public consumption.

Whisky Production Increases Faster Than Consumption

Stocks Apr. 30, 1937	421,545,509 gallons
Stocks Apr. 30, 1936	264,446,720 gallons
Increase	59%
Consumption 10 mos. to Apr. 30, '37	62,997,858 gallons
Consumption 10 mos. to Apr. 30, '36	58,252,190 gallons
Increase	8¼%

Companies identified with the latter group of industries rely principally upon competitive advantage, new products and the growth of population to expand earnings. In the case of the liquor industry, on the other hand, the presence of various social problems has made it necessary to develop a new sales technique and avoid seeming to stimulate greater consumption. The legitimate interests in the liquor industry, however, might conceivably enlarge their market considerably if some effective means were adopted to curb bootlegging activities.

According to the Institute of Public Administration production of illicit liquor in 1935 amounted to 40,000,000 gallons, nearly half the total of tax-paid withdrawals of spirits. Other estimates have placed bootleg liquor at from 15 to 60 per cent of total sales. Enforcement agencies are active but their adequacy and effectiveness still leave much to be desired. Various liquor taxes, representing upwards of 50 per cent of the retail price virtually guarantee the bootlegger a handsome margin of profit, but there is little evidence to suggest that any consideration is being given to the possibility of discouraging illegal liquor production by reducing taxes. An early solution to this problem would be both socially and economically desirable, but probably too much to hope for in the near future.

Last year consumption of whisky was in excess of 72,600,000 gallons, an increase of some 10,700,000 gallons over 1935, and total consumption of distilled spirits, including imports and neutral spirits used in blending, totaled around 120,000,000 gallons, as compared with 88,000,000 gallons in 1935. Based on per-capita consumption prior to Prohibition, and allowing for the increase in population, the present rate of consumption should be about 50,000,000 gallons greater than the 1936 figure. Illegal sales doubtless account for a considerable portion of this discrepancy.

Although consumption has been rising, whisky production has increased at a much faster rate and except for a brief period earlier this year when production was hampered by floods, output has shown only a slight tapering off. Production of whisky in April was 19,119,341 gallons, comparing with 20,254,802 in March and 21,916,526 gallons in April, 1936. Tax paid withdrawals were about 5,450,000 gallons in April, or slightly less than in March and moderately higher than in April a year ago. Stocks of whisky on hand at the end of April were 421,545,509 gallons as compared with 264,446,720 a year ago. Present stocks are considerably more than a four-years' supply, based on 1936 consumption. Imports of whisky have also gained considerably, the total of 11,411,000 gallons in the first eight months of the July fiscal year comparing with 6,435,000 gallons in the same period a year ago.

This substantial increase in production and stocks has been necessary to a large extent to enable the industry to build up supplies of aging and bonded liquor but if inventories are permitted to become top-heavy they may exert an unfavorable effect upon prices, and to the detriment of profits. Thus far prices have been fairly stable, with price wars largely confined to the retail division of the industry. There have even been some moderate price advances and the *(Please turn to page 334)*

For Profit and Income

Merchandise Sales Hold Up

Newspaper headlines these days talk largely of strikes and interruptions to business. This has been going on now for some months. Yet, despite all the wage-earners that have lost pay for a varying length of time, retail trade holds up remarkably well. Montgomery Ward's sales in May were 29% over the corresponding previous month: J. C. Penney's were up 10½%, those of S. H. Kress up almost 7% and those of Jewell Tea up 22%. Woolworth's May sales were 8.6% over a year ago, while S. S. Kresge gained 9% and J. J. Newberry 7½%. Similar gains were reported by other companies. The Federal Reserve Board has just announced that department store sales in May were 8% above those of May, 1936. So long as retail trade holds up in this way, it would seem that there could hardly be a really damaging recession in general business this summer.

Money in Color

Following a sharp run-up, the stock of Technicolor, Inc., has backed away and is presently selling appreciably below its high of $31 a share. The company has had a long, hard row to hoe, but seems to be coming into its own at last. Earnings last year were equivalent to 65 cents a share on the outstanding common stock, compared with a small loss in 1935. It has been officially estimated that earnings before taxes in the first quarter of this year totalled $166,000, against $132,000 for the corresponding previous period. It is believed that for the whole of 1937 Technicolor will ship some 75,000,000 feet of film, or almost double the amount of last year. The box-office success which has attended recently released motion pictures in color—of which "A Star Is Born" is a particularly noteworthy example—has given Technicolor's business a tremendous lift. Although the overall cost of a color film is probably some 25% greater than in black-and-white, greater volume may enable price reductions to be made, thereby further stimulating the use of color. Technicolor has no monopoly of color film processes, but its trade position is now such that it should be able to meet satisfactorily any competition that develops.

Gyrations in New York Steam's Preferreds

There has been plenty of excitement lately in the preferred stocks of the New York Steam Corp. Not long ago the $7 preferred was selling above $110 a share and the $6 preferred above $100 and everyone believed that these prices were perfectly safe in the light of Consolidated Edison's proposal to exchange its own preferred for New York Steam's preferreds, giving a bonus of $10 in cash for the $7 issue. It would seem, however, that Consolidated Edison overplayed its hand in an effort to force conversion in order that it might eliminate yet another subsidiary in its plan of consolidation. To everyone's amazement New York Steam passed its preferred dividends and the $7 issue fell some $25 from its high and the $6 preferred in proportion. After the initial shock there was a brisk rally when it was remembered—Public Service Commission approval being taken for granted—that the Consolidated Edison proposal was still open. Again, however, came a startling development, for the Public Service Commission refused to approve the basis proposed for the exchange of stock on the grounds that Consolidated Edison's offer was altogether too liberal. On Wednesday, June 9, at the opening of the market a frantic specialist sought the advice of the exchange authorities, for the press to sell was great while orders to buy were exceedingly meager. New York Steam $7 preferred opened at 73, off more than $30 a share from the previous close and a similar decline was registered by the $6 preferred. As this is written the upturn from the extreme lows has been considerable. Despite the attitude of the Public Service Commission we do not think that it would be wise for holders of New York Steam's preferreds to dispose of their investments at current prices. This is based on the opinion that the Commission will modify its position when Consolidated Edison makes the point—as it surely will—that whether or not New York Steam's preferred are worth what it is proposed to pay for them, they are worth what is being offered for merger purposes and in order to achieve the savings that will result therefrom.

Convertible Bonds and Preferreds

The continuing popularity with issuers of convertible bonds and preferred stocks raises the question as to whether this type of investment is worth the prices being asked. A sound general rule to follow is that "a conversion feature is only good when it isn't worth anything." This may sound a little strange, but it contains considerable logic as will be seen. The investor who purchases a bond or preferred stock whose conversion feature possesses, or almost possesses, tangible value is buying something which is neither one thing or another. He is buying a fixed income security whose market price will not fluctuate like a fixed income security, but, over the near-term at least, like the market price of the common stock into which it may be converted. In other words, under such conditions, if he believes in the future of the company into which he is placing his money he will be better off buying the common stock directly: on the other hand if it is a fixed income investment he wants, why not buy one that acts its part? Another thing, an investor's position is often disturbed when his holdings are called and conversion is forced upon him. This is not to deny, of course, that money has been made in convertible issues and undoubtedly there will be more money so made. We can recall no case, however, where the capital appreciation would not have been greater had the "convertee" issue been bought in the first place. When buying a bond or preferred stock it is best to buy it entirely on its merits as a bond or preferred stock: if there happens to be a convertible feature, well and good, and, if there should subsequently prove to be a profit, even better—but it should be ascribed more to good luck than to conscious good management.

Dividend Payments

It will be remembered that the tax on undistributed profits resulted in a veritable flood of corporate payments towards the end of last year. This was reasonable under the circumstances and one might logically expect its regular reoccurrence. There are indications, however, that not only is the tax on undistributed profits working to concentrate extra dividends at the year-end but it is working to concentrate regular dividends there also. Only the other day the directors of Timken-Detroit Axle failed to take any dividend action, despite active business and good earning power and despite the fact that ultimately the company intends to distribute the greater part of its profits. The reason, of course, is rising material costs and the possibility of labor trouble. The company feels that it should hold cash just as long as it possibly can without being penalized under the existing tax laws.

Developments in Companies Recently Discussed

Wheeling Steel. Directors have approved a plan whereby one share of new $5 prior convertible preferred stock and one half share of common stock will be exchanged for one share of the present 6% preferred on which dividend arrears total some $24. The present preferred is currently selling for about $103 a share and the common for about $48 a share.

B. F. Goodrich. Announces that a new mechanical rubber plant at Cadillac, Mich., will begin operations shortly. The new plant will add 500,000 pounds of rubber goods a month to the company's capacity and raises the number of plants operated to a total of twelve, including one textile plant.

Homestake Mining. Stockholders have authorized the proposed plan to split the company's stock eight-for-one.

Douglas Aircraft. Over the past three weeks or so the stock of this company has managed to move from less than $50 a share to more than $60 a share. Business is very active: only the other day the War Department announced that it had awarded Douglas a contract for 177 two-engined bombardment planes to cost nearly $12,000,000. The Department stated that it was the largest contract for airplanes ever awarded in peacetime.

American Stores. Has filed a suit in equity to test the validity of the Pennsylvania chain store tax. This rises up to $500 a store on chains of 500 stores or more. The quarterly dividend of 25 cents a share which has just been declared by American Stores was half the amount declared for the previous quarter.

International Tel. & Tel. Disregarding for both periods any profits made by the Spanish properties this company reported for the first quarter of the present year net income equivalent to 26 cents a share on the outstanding common stock, compared with 13 cents a share in the corresponding previous period. The showing is a reflection of the world-wide business improvement which is taking place.

Corn Products Refining. This company has long had many of the attributes of a management investment trust. During 1935 and 1936, however, Corn Products has been a seller on balance of corporate investments and a buyer on balance of public bonds. At the end of last year marketable securities were carried at some $25,000,000, of which approximately half represented government and municipal obligations: at the end of 1934 marketable securities had a balance sheet cost of about $24,000,000, of which less than $2,000,000 represented government and municipal bonds.

Western Union. Although this year the heavy Easter traffic fell in March and not April as it did in 1936, nevertheless Western Union's showing for the fourth month of 1937 was a disappointing one. Net totalled only $265,659, against $694,194 for April, 1936. The reason is generally higher operating costs.

WESTINGHOUSE ELECTRIC & MFG. — GENERAL ELECTRIC

Two Electrical Equipment Giants Compared

A Ratio Analysis

BY ROY M. FENTON

GENERAL ELECTRIC and Westinghouse Electric, in point of size, far outrank their smaller competitors in the production of electrical equipment and appliances. Since the field is exceedingly wide in scope, however, there are a large number of companies engaged in the manufacture of electrical products, including concerns not usually classified as electrical manufacturers but which turn out such equipment as refrigerators, household appliances, radio products, elevators, motors, etc. The combined production of General Electric and Westinghouse is computed to represent less than 30 per cent of the total domestic electrical equipment output, with GE producing slightly less than twice as much of such equipment as Westinghouse.

In earlier years, the bulk of the production of both companies was in heavy electrical equipment—generating and distributing plant equipment for electric power companies and electrical factory equipment for industrial concerns. But even before the depression, the companies had begun to exploit the small electrical appliance market more aggressively with household appliances, lamps, radios, refrigerators and similar articles assuming an increasingly larger portion of the total value of sales. During the depression, when capital expenditures for plant expansion and renovation by both the utilities and by industrial concerns slumped sharply, the importance of lighter products increased considerably in relation to heavier electrical products.

General Electric began to exploit its various lines of lighter products earlier than Westinghouse and consequently had relatively more of a foothold in the production of consumers goods types of electrical products by the time the depression began. While it has been characteristic of the policies of these companies to produce a competitive line on new products developed by either company, General Electric appears to have exhibited leadership in development of new devices and on the whole has produced a wider line of both household and industrial products than its competitor. On the other hand, Westinghouse appears to have put relatively more capital into the acquisition and development of its own distributing facilities. During the depression, the necessity of maintaining wide distributing facilities stood in the way of entrenchment in operating expenses by

Westinghouse Electric

Sales Volume (000 omitted)	Net Operating Income (000 omitted)	Net Plant Investment (000 omitted)	Sales per $1 of Plant Investment	% Operating Income to Sales	Year	Per Share Earnings	Price Earnings Ratio at High	Price Earnings Ratio at Low	% of Earnings Paid Out	Ratio Current Assets to Current Liabilities	Inventory Turnover
$154,469	$20,262	$64,517	$2.40	13.1%	1936	$5.67	27.1	16.7	96.9%	7.3 to 1	3.18
122,588	11,287	63,513	1.95	9.2%	1935	4.48	21.9	7.3	22.0%	10.9 to 1	3.36
92,158	d1,402	66,748	1.35	....	1934	d0.03	....	....	....	13.1 to 1	2.58
66,431	d11,341	66,386	1.00	....	1933	d3.45	....	....	....	17.3 to 1	2.18
77,073	d11,523	70,371	1.10	....	1932	d3.55	....	....	....	18.2 to 1	2.54
115,393	d6,183	73,539	1.55	....	1931	d1.52	....	....	....	13.6 to 1	2.92
180,283	8,312	72,272	2.50	4.6%	1930	4.50	45.4	19.9	112.6%	7.6 to 1	3.98
216,364	21,992	71,344	3.05	10.2%	1929	10.36	28.3	9.7	41.0%	6.2 to 1	3.44
189,050	18,182	69,739	2.70	9.6%	1928	8.97	16.1	9.9	44.5%	8.0 to 1	3.50
175,456	14,109	70,057	2.50	8.0%	1927†	6.70	14.2	10.1	60.0%	8.1 to 1	2.88
$138,927	$6,370	$68,849	$2.00	*4.6%	10 Yr. Ave.	$3.21	‡25.5	‡12.3	*86.5%	11.0 to 3	3.06

†—Year ended March 31, 1928. *—Based on 10 year totals. ‡—6 year average.

Westinghouse when sales volume shrank and competitive conditions became less favorable.

These general characteristics largely account for the more stable ratio of General Electric's operating profit to sales volume shown in the accompanying tabulation of comparative statistics of both concerns over the past ten years. During the worst part of the depression Westinghouse was losing 17 cents on every dollar of sales whereas General Electric's smallest operating profit during the depression was 2½ cents on every dollar of sales.

The comparative trend of sales volume during the past ten years does not show any important deviation, General Electric exhibiting only slightly better stability in the depression and not quite as marked a comeback during the recent recovery years. By 1933, Westinghouse's sales had fallen to 30 per cent of the 1929 volume but recovered to 71 per cent of the 1929 level last year. General Electric, on the other hand recovered only 65 per cent of its 1929 sales level in 1936 and experienced a drop to only about 33 per cent of peak sales in 1933.

Courtesy Westinghouse El. & Mfg. Co.

Welder working on an armature for a huge power generator.

Although Westinghouse exhibited only slightly more rapid sales gain from depression levels than its principal competitor, the improvement of Westinghouse's operating profit in recent years has been rather spectacular in comparison with General Electric. Operating profit of better than 13 cents per dollar of sales realized by Westinghouse in 1936 was the best in the recent history of the company. General Electric, on the other hand, with more elastic expense control during the depression, has yet to demonstrate the operating efficiency shown from 1927 to 1929 inclusive when operating profits exceeded 11½ cents per dollar of sales.

In view of the smaller capitalization and the moderate leverage in its capital structure, the per-share earnings recovery of Westinghouse Electric in recent years is still further accentuated. Its capitalization consists of 79,974 shares of 7 per cent participating preferred stock of $50 par value and 2,582,181 shares of $50 par value common stock. General Electric, which does almost twice the volume of business is capitalized with an outstanding issue of 28,845,028 shares of no par value common stock, and since retirement of "special" stock in 1935 there is no leverage to accentuate per share earnings variations.

Plant investment of General Electric has always been carried on a very conservative basis and has been reduced from around $50,000,000 to a little over $32,000,000 within the past ten years. Westinghouse reduced its plant investment only about $4,300,000 in the same

General Electric

Sales Volume (000 omitted)	Net Operating Income (000 omitted)	Net Plant Investment (000 omitted)	Sales per $1 of Plant Investment	% Operating Income to Sales	Year	Per Share Earnings	Price Earnings Ratio at High	Price Earnings Ratio at Low	% of Earnings Paid Out	Ratio Current Assets to Current Liabilities	Inventory Turnover
$268,544	$29,213	$32,154	$8.03	10.9%	1936	$1.52	36.2	22.6	98.5%	6.0 to 1	4.46
208,733	18,391	35,835	5.80	8.8%	1935	0.97	42.1	21.1	72.5%	6.4 to 1	4.18
164,797	11,745	39,852	4.15	7.1%	1934	0.59	42.1	28.1	101.0%	10.1 to 1	3.22
136,637	6,872	42,242	3.25	5.0%	1933	0.38	79.6	27.6	106.5%	13.2 to 1	3.01
147,162	3,630	44,789	3.30	2.5%	1932	0.41	63.7	20.7	134.0%	13.5 to 1	3.52
263,275	28,390	46,061	5.70	10.8%	1931	1.33	41.2	17.2	120.2%	7.7 to 1	4.59
376,167	40,450	45,867	8.15	10.9%	1930	1.90	50.2	21.9	84.0%	6.0 to 1	6.26
415,338	49,395	49,236	8.05	11.9%	1929	2.24†	44.9	18.8	61.2%	5.1 to 1	5.12
337,189	39,661	47,557	6.75	11.8%	1928	1.79†	31.0	17.3	83.7%	4.9 to 1	4.10
312,603	36,149	50,338	5.90	11.6%	1927	1.60†	22.9	12.6	74.1%	5.2 to 1	3.73
$263,044	$26,390	$43,393	$5.90	*10.3%	10 Yr. Ave.	$1.27	45.4	20.8	*87.3%	7.8 to 1	4.22

†—Adjusted to present capitalization. *—Based on ten year totals.

period and at the end of the past year had approximately twice the plant investment of General Electric. The more conservative plant valuations of General Electric are largely responsible for the decidedly larger ratio of sales to plant investment shown throughout the past ten years than the similar ratio of Westinghouse. Since this valuation and the annual charges to plant reserves which determine the net plant investment are arbitrary valuations, the ratio of sales to plant investment is rather an academic figure.

Study of plant valuations and annual charges for depreciation of plant reveals, however, that General Electric's accounting methods had the practical effect of reducing such charges during the depression and increasing the charge while business was recovering and plant operations were at a higher rate. Depreciation charges of Westinghouse on the other hand, were a fairly fixed item throughout the depression as well as during the subsequent recovery. While of course actual cash income is not altered by such differences in accounting practice, net profits as reported to shareholders, reflected these differences and helped to accentuate the year to year variations of earnings of Westinghouse.

An interesting test of operating efficiency is the rate of inventory turn-over. The inventory turn-over data on these companies is calculated by dividing the amount of inventory carried by each company at the end of the year to the total sales during the year, 1936 data indicating for example that General Electric turned over its inventory almost 4½ times in that year, whereas Westinghouse turned over its inventory less than 3¼ times. In both instances, this rate of turn-over is slightly better than the ten-year average.

Inventory turn-over has no great value in security appraisals when considered only on an absolute basis, since each line of business varies widely in regard to this experience. When used as a yardstick to make comparisons with similarly situated companies, however, the rate of inventory turn-over indicates to what extent the management is obtaining its maximum sales efficiency from its normal inventory. Since the electrical manufacturing industry has a sharp line of cleavage between the heavy equipment end of the business and the lighter electrical products, this factor must be taken into account. Companies manufacturing heavy electrical machinery have a relatively low inventory turn-over that ranges roughly between one and three times per annum, over good years and bad years, whereas companies manufacturing lighter electrical products such as vacuum cleaners, washing machines, etc., have a much larger turn-over—one that would range roughly from six to twelve times a year.

The more rapid inventory turn-over of General Electric affords further confirmation of the indications of relatively larger light electrical product business, as previously discussed. There is another element that also influences the difference in rate of inventory turn-over of the two concerns, namely, the fact that Westinghouse has a larger interest in its own distributing outlets. This in turn brings larger inventories into consolidated accounts of the parent company, whereas similar inventories carried by independent jobbers do not show up in the accounts. The "advantage" of General Electric in this regard, therefore, is somewhat more apparent than real. A practical view of the matter, however, must take into account the fact that while controlled outlets are apt to be "costly" during major or minor business recessions, they are nevertheless an advantage from a competitive standpoint and this advantage usually shows up in terms of dollars and cents during a recovery period.

When all of the above (*Please turn to page* 336)

Comparison of Westinghouse and General Electric Highlights

Ten Year Average	Col. 1 General Electric	Col. 2 Westinghouse	Per cent. of Col. 2 to Col. 1	THE STORY IN BRIEF Read comments individually and consecutively.
Sales Volume (000 omitted)	$263,044	$138,927	52.8%	General Electric has almost twice sales volume
Operating Profit (000 omitted)	26,390	6,370	24.2%	but about 4 times as large manufacturing profit.
Net Plant Investment (000 omitted)	43,393	68,849	158.4%	Westinghouse has about 1½ times plant value, due largely to conservative valuation of General Electric.
Inventory Turn-over	4.42	3.06	69.8%	Westinghouse inventory turns over only 2/3 as fast as G. E.
Sales per $1 of Plant †	5.90	2.00	33.9%	Westinghouse sales to plant ratio therefore is considerably lower,
Operating Profit per $100 of sales†	10.30	4.60	44.6%	and operating profit over 10 year period averages less than half of G. E.
Net Income per Share	1.27	3.21	252.8%	With smaller capitalization Westinghouse per share profits average 2½ times that of G. E.
Price Earnings Ratios At yearly high	45.4	*25.5	56.2%	Nevertheless General Electric shares have commanded a much better price in relation to earnings in good markets
At yearly low	20.8	*12.3	59.2%	and in bad markets as well.
Percent of earnings Paid Out	†87.3%	†62.8%	99.0%	Both companies paid out about the same portion of their earnings.
1936				
Book Value, Dec. 31, 1936	$11.50	$67.60	588.0%	Westinghouse had 6 times greater book value, but
Per Share Earnings 1936	1.52	5.67	373.0%	only 3¾ times greater earnings last year.
Earnings gain 1935 to 1936	56.6%	26.8%	47.3%	And showed only half as much gain from 1935.
Current Price-Earnings Ratio	38.8	25.6	66.0%	Westinghouse ratio here is a little better than the 10 year average.
Current Price	$54	$145	262.0%	However, the present price differential corresponds closely to 10 year averagee arnings differential shown above.

†—Based on 10 year totals. *—6 Year Average.

Taking the Pulse of Business

— Industry and Trade Active

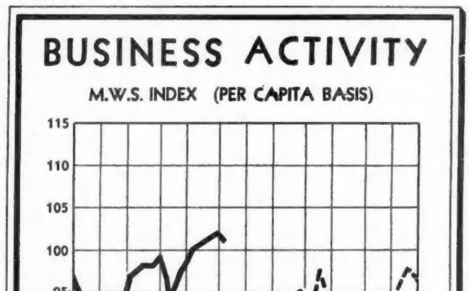
— Building Construction Advances

— Metals in Improved Position

— Steel Output Declines

GRAPHIC testimony to the strength of underlying economic forces working toward further recovery is afforded by our Business Activity Index, which has slipped off less than one point **in spite of strikes here** and there in the motor car industry, at independent steel plants and in other local situations where conditions at times have verged upon insurrection. In the face of such interruptions to production and a somewhat greater than normal seasonal recession in a number of directions, the average per capita rate at which new wealth is being produced throughout the United States exceeds last year's level at this time by approximately 15%. During the month of May, per capita Business Activity averaged 101.2% of the 1923-5 average, an increase of 13.9% over May, 1936, and 5% better than April of the current year. For the first two months of the second quarter, business volume averaged 98.6, a gain of 13.4% over the corresponding period of 1936.

Far from bearing out recent predictions of a coming recession in production and trade, the foregoing summary shows that business not only continues to expand; but that the spread between now and last year is actually increasing. Indeed, there is mighty little in the business news that could bring comfort to a pessimist. European war clouds are melting slowly. The gold scare is subsiding. Rain in the dust bowl promises crops at better than average prices, despite recent recessions in the prices of agricultural staples. Bonds recover as the banks resume purchases of Governments. Commercial loans are expanding at a greater-than-normal seasonal rate. Banking profits are improving slowly and failures have become negligible. Rising wages and greater leisure permit more and more attention to travel and recreation. Over the Memorial day holidays, for example, passenger travel by rail ran 25% ahead of last year, and leaped 40% by air. Transatlantic travel for the first 5 months gained 33%, and increased 100% in the Mediterranean.



Merchandise exports plus imports in April mounted to $596,000,000, an increase of 40% over last year, and the heaviest for any like month since 1930. For four months the gain was 36%. Prophetic of still further gains in world trade is the recent agreement among seven small nations—Belgium, Denmark, Finland, Norway, Sweden, Luxembourg, Holland and the Dutch East Indies—to abolish all trade restrictions between the signatories. The benefit to world commerce inherent in this accord lies in the example set to other countries rather than in the comparatively small volume of trade involved.

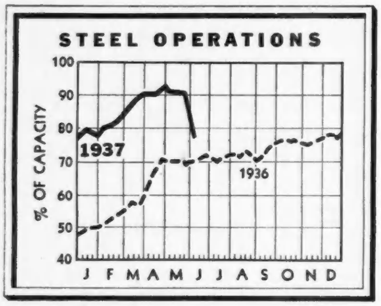
During April, the Bell System gained 108,000 stations, against only 75,400 in April of last year. For four months the increase was 400,000, compared with 278,000 a year ago. New life insurance written in April increased 12.3% over the corresponding period of 1936, compared with a cumulative gain of only 9.7% for the first four months. Farm income in April, including benefit payments, rose 24% over the corresponding period of 1936, compared with a 28% increase for the first four months. Fortunately, speculation in farm land has not been heavy in spite of the gratifying increase in incomes. According to the Bureau of Agricultural Economics, farm real estate values have risen less than 4% during the past year, and only 16% since 1933. Corporate dividends declared in May were 27% larger than for May of 1936.

About the only adverse factors in the current business outlook are the insurgency of labor and recurrent fears that gold may be devalued. The former is probably a comparatively temporary disturbance which will subside once the unionization of

industry is completed. Newly-acquired power often leads to initial excesses; only to be followed by a growing sense of responsibility under the pressure of public opinion. As to the gold scare, it is beginning to be realized that the cost of even a moderate drop in price would be prohibitive and that some means will be found to handle the temporary wave of dehoarding which will not involve too great an increase in Government debt nor prove deflationary.

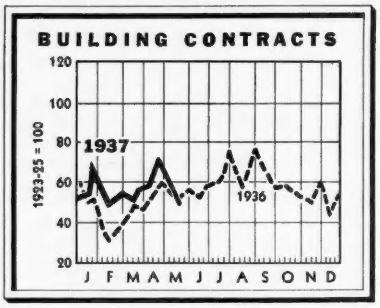
The Trend of Major Industries

STEEL—The country's steel operations have been reduced to around 75% of capacity by strikes at three of the large independents. Youngstown has been hit hardest, with the



rate down to 45%, from 84% before the strike. The Cleveland-Lorain district shows a decline to 55%, from 80%; and the Chicago area has dropped to 63% from 80%. Consumers generally were well supplied in anticipation of the interruption, and there has been little shifting of orders—partly because the more important customers are giving moral support to the beleaguered producers, and partly because other mills are so far behind in filling orders that they prefer to give preference to old customers. Should the strike be long drawn out, there may be shortages in sheets for other than automobile use. Otherwise the supply situation is little damaged by the strikes. The trade is looking for an unusually active Autumn, and is much gratified by President Roosevelt's proposal to subsidize the building of a modern merchant marine.

CONSTRUCTION — Building news continues to be favorable, except for a rather sharp falling off in construction awards during the first half of May, occasioned partly by widely disseminated forecasts of an approaching business recession and partly as a natural aftermath of heavy open weather business during the normally quiet first quarter. The F H A reports that residential construction for the first half of the cur-

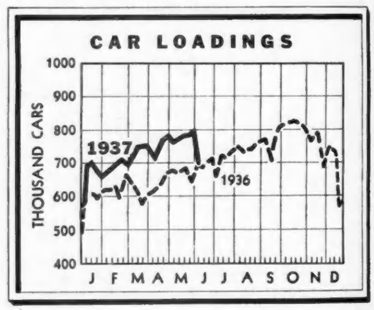


rent year will run 60% ahead of the corresponding period in 1936. In April, the increase in estimated value of permits granted amounted to 65%, compared with a four months' increase of 68%. For May, engineering construction awards were the highest for any like month since 1930, and 65% ahead of May, 1936. Paint sales in April were the largest since May, 1929, and four months showed a gain of 29% over last year. Higher wages and shorter hours for plasterers are having the logical effect of encouraging the use of substitute material.

METALS—President Kelley, of the Anaconda, upon his return from the other side, states that European copper consumption is running at probably record levels, with little hoarding and the major portion going into plant expansion and rehabilitation. He does not believe that munitions makers are taking much metal. At the coming meeting of world producers in London, no immediate resumption of restricted production is looked for; though the intention is to agree upon plans in advance which will effect immediate curtailment when necessary and not three months late, as formerly. Comparatively higher prices for copper stimulated a jump to 11,000 tons in the use of aluminum as a substitute in transmission lines during 1936, from only 4,500 tons in 1935. This replaced about 22,000 tons of copper; but the growing use of aluminum for this purpose is of little consequence to the copper industry, since less than 7% of domestic production last year went into transmission lines. Domestic zinc stocks on May 1 amounted to less than a week's consumption. Non-ferrous metal prices are proving resistent to deflationary movements in other world staples and the earnings outlook remains favorable, except for Treasury proposals to clamp down on depletion allowances for income tax purposes.

RAILROAD EQUIPMENT—Railroad freight cars ordered during the first four months were about double the total for the corresponding period of 1936, as were locomotive orders. Passenger cars ordered during the first fourth months came to 446, against only 87 a year ago.

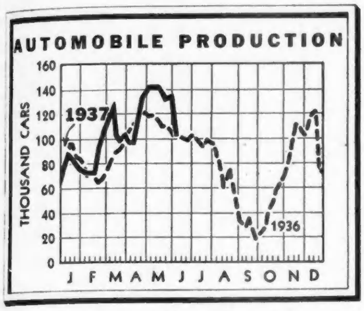
RAILS—Although railroad bonds recently have led the recovery in high grade issues, their common stocks have been slow in responding to brighter crop prospects pending the outcome of wage parleys and



hearings before the I. C. C. on requested freight rate increases. Meanwhile, car loadings are making new highs for the year; though the improvement is somewhat under normal seasonal expectations, owing to strikes at the plants of important shippers. First quarter's net income of Class I carriers totalled $14,000,000, compared with a $27,000,000 deficit for the corresponding period of 1936.

AUTOMOBILES—In the face of obstructive labor tactics, automobile assemblies continue to run about 17% ahead of last year, though sales to consumers are beginning to fall off seasonally. In the case of General Motors there was a drop of 8% in May from sales during the like month of 1936. Heavy backlogs of unfilled orders, accumulated during the period of labor trouble, will, how-

ever, keep plants operating at a high rate through July, unless the drop in retail demand becomes sharper than now appears likely. Sales from now on may suffer some in compari-

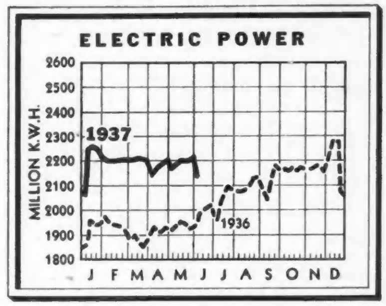


son with the earlier stimulation of easier credit erms, and something will have to be done with new models to offset the inroads of dearer labor and material costs. This may take the form of higher prices and some trimming down on material and accessories; though much will depend upon "what Ford does." Manufacturers claim that used car inventories are generally somewhat higher than a year ago.

OIL—With consumption running 14% ahead of last year, stocks of motor fuel during the past fortnight have dropped to a level only 10% above a year ago. This strong statistical position, together with reduced quotas for several producing areas and firming prices for refined products have revived expectations of better prices for crude in the not distant future. As pointed out in commenting earlier upon the metal industries, the earnings outlook for favorably situated oil companies appears to be clouded only by Treasury proposals to clamp down on depletion allowances for income tax purposes.

MERCHANDISING—Hot weather combined with preparations for Summer vacations proved a welcome stimulus to retail trade during the past fortnight in sections not handicapped by local strikes. For the New York area business was unofficially estimated as running 15% ahead of last year. Early reports from leading chain stores and mail-order houses for May indicate an increase of 15% in sales over the corresponding month of 1936; whereas April returns disclosed a drop of 4.7% attributable to the later Easter last year. The Bureau of Foreign and Domestic Commerce reports that factory sales in April were 27.9% ahead of April, 1936, while wholesale trade gained 27.4%. A survey by the National Retail Dry Goods Association, based upon 5,600 member stores in all parts of the country, finds that department stores, dry goods establishments and specialty shops realized an average profit of 2.6% on sales last year, compared with only 1.6% in 1935. A recently released Government estimate that credit sales last year amounted to roughly 32% of total retail trade, compared with the only slightly higher ratio of 34% in 1929, has revived the old "living-beyond-our-means" bogey. In a sense, this is mortgaging future earnings and so tends to slow down the rate of expansion in retail sales; but it is no menace to prosperity so long as dividend payments, business payrolls and farm income continue to expand at anything approaching the current rate. On the other hand, heavy consumer credit may handicap trade in strike areas.

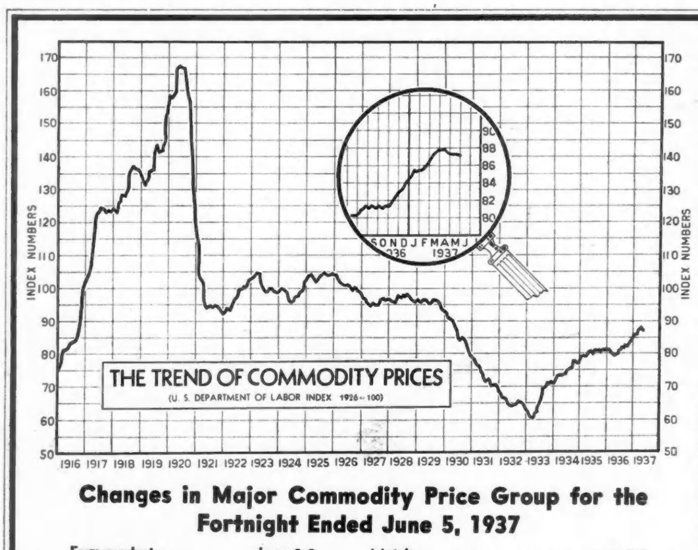
UTILITIES—Electric power output is currently running about 11% ahead of last year, but earnings are expanding at a considerably slower pace, owing to lower rates and higher taxes and other costs. Communications companies, on the other hand, appear to be enjoying an expansion in business which somewhat more than suffices to offset recent reductions in tariffs. Part of this



rapid rate of growth in traffic is obviously attributable to expanding general prosperity; but the remaining improvement may be traced directly to more attractive rates.

Conclusion

Serious labor disturbances in various industries have thus far made a surprisingly small dent in the country's volume of production and trade, which currently is running about 15% ahead of last year. Prices of agricultural commodities have been declining rather severely under the promise of more bountiful crops; yet farm income this year will probably average considerably higher than last year and so contribute in no small measure to business prosperity in general and to retail trade, agricultural implements and rail income in particular. From all directions comes cheerful business news attesting to the vitality of economic forces working toward further recovery. The gold scare promises to pass soon into history.



Changes in Major Commodity Price Group for the Fortnight Ended June 5, 1937

Farm products	down 0.9	Metals	up 0.1
Foods	down 0.3	Building material	up 0.1
Hides and leather	up 0.5	Chemicals	down 0.2
Textiles	down 0.5	Housefurnishings	up 0.2
Fuel and lighting	no change	Miscellaneous	down 0.5

ESSENTIAL STATISTICS

Finance Securities Business

THE MAGAZINE OF WALL STREET'S COMMON STOCK INDEX

1936 Indexes High	1936 Indexes Low	No. of Issues	(1925 Close—100)	1937 Indexes High	Low	May 29	June 5	June 12
106.0	78.4	330	COMBINED AVER.	122.0	97.0	101.3	101.1	97.0x
204.6	113.4	5	Agricultural Implements	243.5	204.6	234.7	243.5H	230.3
68.6	39.9	6	Amusement	72.6	60.3	63.7	63.7	60.3x
143.5	116.8	16	Automobile Accessories	146.0	110.1	116.7	116.6	110.1x
24.9	17.7	13	Automobiles	30.1	21.9	23.2	23.3	21.9x
156.8	104.3	8	Aviation (1927 Cl.—100)	178.0	126.0	131.5	135.5	128.3
23.8	12.6	3	Baking (1926 Cl.—100)	28.5	18.0	18.2	18.5	18.0x
500.9	318.6	2	Bots. & Cks. ('32 Cl.—100)	536.0	456.6	501.4	495.0	481.2
262.0	202.8	3	Business Machines	308.6	249.8	260.3	259.8	251.6
287.4	216.2	2	Cans	242.8	185.9	198.3	194.4	185.9x
237.1	187.5	10	Chemicals	247.7	211.4	218.7	219.4	211.4x
73.8	42.8	15	Construction	88.3	65.0	69.3	68.6	65.0x
166.4	87.9	10	Copper & Brass	217.3	148.0	164.4	166.8	156.0
47.8	39.3	2	Dairy Products	43.0	37.1	38.3	37.5	37.1x
41.8	23.3	10	Department Stores	42.7	33.3	33.8	34.3	33.4
100.1	72.8	8	Drugs & Toilet Articles	108.8	89.4	93.2	93.0	90.4
441.1	227.2	2	Finance Companies	388.4	323.5	353.0	351.5	333.2
70.1	60.9	7	Food Brands	71.9	55.1	57.9	57.3	55.1x
56.6	41.4	4	Food Stores	53.2	38.6	41.9	39.9	38.6x
103.2	65.7	3	Furniture	122.3	98.3	101.2	101.0	98.7
1296.9	1116.0	4	Gold & Platinum Mining	1253.6	940.1	953.8	971.0	940.1x
51.0	36.6	5	Investment Trusts	58.6	46.3	47.3	47.2	46.3x
341.6	265.2	3	Liquor (1932 Cl.—100)	317.8	266.3	273.4	271.5	272.2
189.5	134.7	9	Machinery	209.8	170.0	175.0	174.7	170.0x
107.4	61.3	2	Mail Order	104.2	85.2	87.8	91.0	87.4
83.9	59.4	4	Meat Packing	109.6	79.6	87.0	86.6	84.2
232.5	159.5	14	Metal Mining & Smelting	334.1	232.5	262.5	262.7	249.5
23.4	6.0	2	Paper	26.5	19.0	22.4	22.7	21.3
142.8	97.2	24	Petroleum & Natural Gas	158.8	138.1	143.7	142.9	138.1x
96.6	67.2	18	Public Utilities	114.9	72.6	78.2	77.0	72.6x
35.4	26.7	4	Radio (1927 Cl.—100)	31.7	22.9	24.1	24.1	22.9x
100.4	52.5	9	Railroad Equipment	112.9	84.1	88.4	86.5	84.1x
39.8	27.3	24	Railroads	48.6	37.2	40.6	39.9	37.8
27.1	13.4	3	Realty	28.5	16.4	17.2	18.4	16.4x
87.6	62.7	4	Shipbuilding	87.6	62.9	66.8	66.6	65.2
124.5	85.2	12	Steel & Iron	165.6	124.5	131.8	135.0	128.8
45.3	29.8	6	Sugar	45.2	36.2	37.2	37.2	36.2x
175.6	142.5	2	Sulphur	171.2	146.6	151.0	150.5	146.6
97.4	76.6	3	Telephone & Telegraph	85.3	66.5	67.9	68.4	67.6
83.5	62.0	8	Textiles	91.8	71.5	74.6	73.2	71.5x
20.9	10.6	4	Tires & Rubber	29.2	20.5	25.3	25.6	24.5
100.2	87.2	4	Tobacco	99.4	82.0	83,7	84.6	82.0x
76.2	61.0	5	Traction	71.9	37.4	41.7	38.6	37.4x
369.2	232.5	4	Variety Stores	346.8	250.7	254.0	254.0	250.7x

H—New HIGH record since 1931. x—New LOW this year.

DAILY INDEXES OF SECURITIES

	N. Y. Times 40 Bonds	Dow-Jones Avgs. 30 Indus.	20 Rails	N. Y. Times —50 Stocks— High	Low	Sales
Monday, May 31		HOLIDAY—EXCHANGE CLOSED				
Tuesday, June 1	84.83	171.59	56.09	128.07	126.19	746,170
Wednesday, June 2	84.87	172.63	56.26	128.25	127.33	535,680
Thursday, June 3	84.79	172.82	56.32	127.75	126.66	551,700
Friday, June 4	85.00	175.14	56.97	129.29	127.04	729,210
Saturday, June 5	85.11	175.00	57.13	129.94	129.17	342,440
Monday, June 7	85.05	173.88	56.77	129.82	128.63	584,780
Tuesday, June 8	85.08	174.33	57.00	129.25	128.15	597,990
Wednesday, June 9	85.20	173.47	56.90	129.38	128.02	624,440
Thursday, June 10	85.12	172.82	56.83	128.75	127.65	567.250
Friday, June 11	84.88	170.77	55.60	127.59	125.94	722,121
Saturday, June 12	84.76	169.51	55.26	126.06	124.98	387,220

STOCK MARKET VOLUME

Week Ended June 12	Week Ended June 5	Week Ended May 29
3,483,801	2,955,280	3,267,674
Total Transactions Year to June 12	Same Date 1936	Same Date 1935
218,892,615	248,235,799	113,162,196

Note: Latest figures compiled as of June 14. (b)—1,000 Gross tons. (C)—Iron Age. (d)—F. W. Dodge—37 states. (e)—Estimated. (f)—Dun & Bradstreet. (G)—U. S. Labor Bureau '23-25—100. ★—100 omitted. †—000,000 omitted. *—Iron Age Composite. §—Week ended June 8. Fe —February. Mr.—March. Ap.—April.

MONEY RATES	Latest Week	Previous Week	Year Ago
Time Money (90-day)	1¼%	1¼%	1¼%
Prime Commercial Paper	1%	1%	¾%
Call Money	1%	1%	1%
Re-Discount Rate	1½%	1½%	1½%

CREDIT			
Bank Clearings, N. Y.†	$3,464	$3,305	$3,799
Bank Clearings (outside N. Y.)†	2,088	1,971	1,851
Brokers' Loans, F. R.†	1,168	1,140	1,115
	June 1	May 1	Last Year
Brokers' Loans N. Y. S. E.†	1,152	1,187	970
New Corporate Financing†	91My	104Ap	237

COMMODITY PRICES	Latest Week	Previous Week	Year Ago
Finished Steel* c per lb	2.605	2.605	2.097
Pig Iron* $ per ton	23.25	23.25	18.84
Steel Scrap* $ per ton	17.42	17.75	12.67
Copper, $ per lb.	.14	.14	.095
Lead, $ per lb. N. Y.	.06	.06	.046
Zinc, $ per lb. N. Y.	.071	.071	.0527½
Tin, $ per lb	.56	.56¼	.42½
Rubber, $ per lb.	.18¾	.19⅞	.15⅞
Crude Oil (Mid-Cont.), $ per barrel	1.35	1.35	1.17
Sugar, raw, $ per lb.	.0340	.0335	.0375
Silk, raw, $ per lb	1.86	1.95	1.71
Wool, raw, $ per lb.	1.01-1.03	1.01-1.03	.88
Wheat, Price, July, $ per bu.	1.06	1.06¾	.85⅛
Cotton, Price, July, $ per lb.	.1198	.1274	.1170
Corn Price, July, $ per bu	1.12¼	1.19⅝	.61¼

KEY INDUSTRIES	May	April	Year Ago
Steel Ingot Prod. (b) (tons)	5,154	5,072	4,046
U. S. Steel Corp. Shipments (b) (tons)	1,304	1,344	984
Pig Iron Production (b) (tons)	3,520	3,392	2,648
Operating Rate, % Capacity	78.0§	77.5	70.5
Auto Production	550,000(e)	536,334	460,535
Bldg. Contract Awards (d)★	244,113	269,934	216,071
Residential Bldg. (d)★	83,937	108,013	70,253
Engineering Contracts★	235,012	216,955	141,257
Cement Shipments★ (bbls.)	7,879Mr	5,163Fe	7,186
Cotton Consumption (bales)★	675	719	531
Mach. Tool Orders, '26—100%	208.5	282.5	118.9
	Latest Week	Previous Week	Year Ago
Oil Prod., daily aver. (bbls.)★	3,538	3,573	2,935
Stocks of Gasoline (bbls.)★	77,494	78,758	70,900
Elec. Pwr. Output (kwh)†	2,131	2,206	1,922

TRANSPORTATION	Latest Week	Previous Week	Year Ago
Carloadings★	692	794	695
Miscellaneous Freight★	285	330	290
Merchandise, L.C.L.★	139	171	165

TRADE	May	April	Year Ago
Dept. Store Sales '23-25—100%	93	93	87
Mail Order Sales★	89,075	83,508	71,746
Merchandise Imports★	287,252Ap	307,528Mr	202,779
Merchandise Exports★	269,171Ap	256,390Mr	192,795
Business Failures (F)	834	786	832

EMPLOYMENT	April	Mar.	Year Ago
Factory (G)	102.2	101.1	89.1
Durable Goods Industries (G)	98.7	96.4	82.3
Consumers Goods (G)	106.0	106.1	96.3
Factory Payrolls (G)	104.8	101.1	79.3

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

Radio Corp. of America

I have held Radio Corp. through its "ups and downs" of the past six years in the belief that it would sooner or later regain its former speculative appeal. It looks like I am to be disappointed. Would you care to write me, a new subscriber, on this?—H. G. H., St. Louis, Mo.

Radio Corporation's activities travel the sound waves—broadcasting, communicating, recording and receiving. It creates entertainment as a vehicle for advertising in radio. Messages are sent over the air in radio communications. Sound equipment is provided for the motion picture industry and others. Radio sets, phonographs and auxiliary products are manufactured. To support its trade position the company has a large number of patents which it licenses to the trade. Television is still in the laboratory and is not expected to emerge on a commercial scale for some time to come. At this time, the broadcasting division is the most important source of revenue and has the most clearly defined prospects. Communications have gained in volume because of accelerated business activity and technical improvements whereby radio is able to compete successfully with cable transmission. In the manufacturing division, operations are geared 25% over those of last year. Reflecting this pace, earnings in the first quarter amounted to 10 cents per common share after preferred requirements against 3 cents per share a year ago. The revised capitalization effected early last year eliminated the Class "A" preferred, left only a relatively few shares of the Class "B" outstanding, and created the present $3.50 first preferred stock. While the 13,879,556 outstanding common shares tend to restrict per-share earnings and market fluctuations, the issue in our opinion should be retained for profit possibilities over the longer term.

Reynolds Metals Co.

I have noticed that Reynolds Metals has done a little better in the market recently and am wondering if further appreciation can be reasonably looked for. Do you regard this issue as an attractive long pull holding?—C. G. M., Jacksonville, Fla.

Report of Reynolds Metals Co. for the quarter ended March 31, 1937, revealed a net profit of $545,000, equal, after preferred requirements, to 49 cents a common share. This compared with $317,674 in the March quarter of 1936, equal to only 26 cents a common share. The report was especially encouraging, since two of the organization's largest plants were closed down for several weeks during the period as a result of flood conditions. Originally engaged solely in the manufacture of foil for the tobacco industry, the company has developed a broad market for that product in a number of other fields, such as advertising, insulation materials and food cartons. Moreover, through stock ownership, the company is now well represented in building construction and related fields. Reynolds Corp., in which the company has a substantial stock interest, manufactures a broad line of insulating materials for the building industry, as well as air-conditioning equipment. The Richmond Radiator Co., approximately 60% owned by Reynolds Metals Co., is engaged in the manufacture of radiators, boilers, bathtubs, etc. As a result of the improvement which has occurred throughout the building industry, all divisions of the company are now said to be "out of the red." The foil department is feeling the beneficial effects of expanding retail trade generally and the wider employment of foil by cigar manufacturers. Earnings of the company in 1936 equalled $1.98 a share on the 960,322 common shares outstanding, after dividend requirements on the 50,000 shares of 5½% preferred. Preceding the preferred and common stock is an issue of only $960,300 in 3½% debentures which were issued to stock-

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holders last year in order to conserve cash resources and at the same time avoid a heavy penalty tax on undistributed net earnings. In view of the conservative capitalization of the company and the generally favorable prospects for all divisions, we believe that the stock at current levels offers attraction for one interested in income with the added possibility of worth while appreciation.

International Nickel Co. of Canada, Ltd.

Do you believe the current levels at which International Nickel is selling are more in line with actual possibilities or do you believe the situation is only temporary and that the stock should quickly return to higher levels on renewed investment interest?—G. B. F., Indianapolis, Indiana.

We consider the International Nickel stock cheap at current price levels. We believe that your second thought is correct and that these shares should recover to this year's high levels. It is very likely that the 1937 operations will produce higher earnings than were produced in 1936 ($2.40 a share). We expect higher prices not only because of a continued uptrend in earnings, but as you suggest, because of a renewed investment demand. Certainly this stock qualifies as to investment status. Few enterprises are as free from the risk of competition as International Nickel. Few concerns may more truly qualify as a natural monopoly. This is shown from sales figures last year when company sales of nickel were placed at very nearly 169,000,000 pounds, against approximate world deliveries of 200,000,000 pounds. Obviously the production and sale of nickel is the primary interest of the concern, although the president stated that operations in copper and in precious metals were the source of about half of current earnings, and that platinum is developing in importance. Bearing out the prospect for better results for 1937, the first quarterly report for the current year revealed gross of $16,900,000 against $11,900,000 for the first quarter of 1936, and net respectively at $11,700,000 and $8,300,000 (77 cents and 54 cents a share.) It is scarcely to be wondered that these shares are in demand widely by investors for long-term holding, when its unique position is considered, and when attention is given to the financial status as portrayed in the latest balance sheet (March 31st), showing total current assets of about 77,000,000 against total current liabilities of about 17,000,000. Cash and marketable securities totaled over $43,000,000. It is reported that the plant is operating at capacity currently, and that production and sales figures are reaching all-time peak levels. All factors indicate a continued uptrend in sales, satisfactory profit margins and higher earnings. Ore reserve position is reassuring. Because of its strong financial status, the company is able to pay out practically all of its current earnings in dividends. The company is capitalized in proportion to its earning power, there being no funded debt and the 14,500,000 shares of common stock preceded only by an issue of $27,600,000 of preferred.

Wilson & Co., Inc.

Do you attribute the current weakness in Wilson & Co., Inc., common stock to the issuance of $6,500,000 in debentures, thereby reducing earnings applicable to the common? If this is so, would you continue to hold shares bought at 9⅛?—C. J. S., Seattle, Washington.

The proceeds of recent financing by Wilson & Co., Inc., are being used to facilitate handling of increased sales at higher prices. The choice was either more capital or ploughing back earnings. The latter method is disadvantageous to the shareholders because of the undistributed profits tax. Hence, the operation cannot be construed as unfavorable to stockholders over the longer term. Meanwhile the earnings trend is favorable with net of approximately $2,250,000 in the first five months of the fiscal year against a total of $4,068,457 earned in the entire fiscal year ended October 31, 1936. The latter was equivalent to $1.06 per share, after preferred requirements. Granted a stable trend of live stock prices, the company should benefit from increasing sales of fresh meats. Prices have firmed on such by-products as fertilizers and leather. The statistical position of live stock on farms is indicated to be relatively favorable. Among the factors which bear watching are increased importations of canned hams from abroad and possible labor developments. Giving due consideration to these factors, we remain of the opinion that it would be to your advantage to maintain your holdings at this time.

American Radiator & Standard Sanitary Mfg. Corp.

Do you consider the speculative possibilities in American Radiator interesting at current levels? I understand that the company anticipates a 25% increase in sales this year, and I am wondering to what levels the stock would be entitled to advance.—G. B. H., Los Angeles, California.

The gross sales reported by American Radiator & Standard Sanitary Corp. for the first quarter of 1937 increased, not 25%, but over 34%, compared with the first quarter of 1936, and there is rather tangible evidence to support an optimistic outlook for sales volume. Net earnings for the quarter at approximately $1,600,000 showed an increase of 300% over the $400,000 reported in the first quarter of 1936. A decided uptrend both in gross sales and net earnings has been underway for the past several years. Gross volume of business in the peak year (1929) was nearly $182,000,000. In that year, when the two constituent companies merged to form the present concern, about 11% of the gross sales was reported as net earnings. For the three months ending March 31, 1937, the company reported sales of $33,100,000 and net earnings of about 5% of that figure. These comparisons show that there is much room for further expansion before the previous high level of activity is attained; and they also show that as the volume of business expands, the net earning power tends to increase at an accelerated pace. For the twelve months' period ending March 31st, the company reported net earnings equal to 82 cents per share on the outstanding stock. It is obvious that current price levels for the stock discount the expectation of higher share earnings in the future, but this expectation is founded on a rather reasonable basis we believe. American Radiator is unquestionably a leader in its field, doing a worldwide business in plumbing equipment and supplies, air-conditioning, oil burning equipment. Having these considerations in mind, we would agree with you that these shares have speculative possibilities.

(Please turn to page 335)

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New York Stock Exchange

Rails

	1935		1936		1937		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	6/9/37	Share
A								
Atchison	60	35¾	88½	59	94¾	69½	83½	†2.00
Atlantic Coast Line	37¼	19½	49	21⅝	55½	44⅛	52⅛	†1.00
B								
Baltimore & Ohio	18	7½	26½	15⅞	40½	20⅝	30⅝	....
C								
Canadian Pacific	13¾	8⅝	16	10⅞	17½	12¼	13⅜	....
Chesapeake & Ohio	53¼	37⅛	77¾	51	60⅞	54⅞	58½	*2.80
Chicago Gt. Western Pfd	5⅝	1⅝	14⅝	4	4	2⅛	2¼	....
C. M. & St. Paul & Pacific	3	¼	2⅞	1½	3¼	2	2⅛	....
C. M. & St. Paul & Pacific Pfd	4¾	¾	5⅞	2⅞	7¼	4¼	4¾	....
Chicago & North Western	5⅝	1⅜	4⅞	2½	6⅜	3½	3⅞	....
Chicago, Rock Is. & Pacific	2⅝	¾	3	1½	3⅝	2⅛	2⅜	....
D								
Delaware & Hudson	43½	23½	54¾	36¾	58⅜	41¼	44	....
Delaware, Lack. & West	19⅛	11	23⅛	14⅞	24½	17⅛	17⅝	....
E								
Erie R. R	14	7⅛	18¼	11	23⅝	13⅞	16⅞	....
G								
Great Northern Pfd	35⅛	9⅝	46⅜	32¼	56¾	40⅝	53¾	....
I								
Illinois Central	22¼	9½	29½	18⅝	38	22½	27¼	....
K								
Kansas City Southern	14½	3¾	26	13	29	20	20½	....
L								
Lehigh Valley	11½	5	22	8½	24⅝	16½	16½	....
Louisville & Nashville	64¾	34	102⅜	57½	99	86¾	88	‡2.50
M								
Mo., Kansas & Texas	6⅜	2½	9⅝	5½	9¾	6⅞	6⅞	....
Mo., Kansas & Texas Pfd., A	16¼	5⅞	33⅜	14½	34⅝	24¼	26⅛	....
Missouri Pacific	3	1	4	2⅛	6¼	3	4⅛	....
N								
New York Central	29¾	12¼	49⅝	27¾	55¼	40	43⅝	....
N. Y., Chic. & St. Louis	19	6	53⅛	17¾	72	41	60¾	....
N. Y., N. H. & Hartford	8½	2⅝	6⅛	3	9¾	3⅞	4	....
Northern Pacific	25¼	13⅛	36¾	23⅞	36⅝	27¼	32½	....
P								
Pennsylvania	32½	17¼	45	28¼	50¼	39¾	41½	†2.00
R								
Reading	43⅛	29⅞	50¾	35½	47	37	39¾	*2.00
S								
St. Louis-San Fran	2	¾	3⅝	1½	4¾	3	3	....
Southern Pacific	25½	12¾	47⅞	23½	65⅜	42½	51	....
Southern Railway	16½	5½	26½	12¾	43⅜	24	37⅛	....
T								
Texas & Pacific	28½	14	49	28	54¼	42¾	48	....
U								
Union Pacific	111½	82½	149¾	108½	148¾	126½	139	....
W								
Western Maryland	10⅛	5½	12⅛	8⅛	11¾	8½	8½	....
Western Pacific	3⅝	1⅛	4	1⅞	4¾	2½	2½	....

Industrials and Miscellaneous

	1935		1936		1937		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	6/9/37	Share
A								
Air Reduction	....	....	86½	58	80¼	67¼	70½	*1.00
Alaska Juneau	20⅛	13¼	17½	13	15¾	11⅜	12⅛	*.60
Allegheny Steel	32	21	40⅜	26⅞	45⅝	31¼	34½	‡.80
Allied Chemical & Dye	173	125	245	157	258½	218	228	6.00
Allied Stores	9	3⅛	20⅛	6¾	21⅞	15	17⅞	‡.20
Allis Chalmers Mfg	33⅞	12	81	35⅜	83½	57	61¾	‡1.00
Amerada	80	48½	125½	75	114⅞	90	94	*2.00
American Bank Note	47⅜	13½	55½	36	41⅜	21½	22½	*1.00
Amer. Brake Shoe & Fdy	42½	21	70¼	40	80¾	57¼	63¾	*2.00
American Can	149⅝	110	137½	110	121	95½	97	*4.00
Amer. Car & Fdy	33⅞	10	60½	30	71	50½	55	‡.25
American & Foreign Power	9¼	2	9¾	6½	13¾	7¼	7⅝	....
Amer. Power & Light	9⅝	1½	14⅜	7½	16½	8⅛	8½	....
Amer. Radiator & S. S	25⅛	10½	27⅜	18¾	29½	20⅛	21⅜	*.60
Amer. Rolling Mill	32⅜	15¾	37	23¾	45¼	31⅝	35⅜	2.00
Amer. Smelting & Refining	64⅝	31⅝	103	56¾	105¾	79⅝	89½	3.00
Amer. Steel Foundries	25¼	12	64	20½	73¼	48⅝	57¼	‡1.00
Amer. Tel. & Tel.	160½	98⅞	190⅛	149½	187	160⅛	168¾	9.00
Amer. Tob. B	107	74¾	104	88½	99⅞	74⅛	77½	5.00
Amer. Water Works & Elec	22¾	7⅛	27¾	19⅛	29½	16¾	17⅛	.80
Amer. Woolen Pfd	68¾	35½	70¾	52¾	79	59¾	61	....
Anaconda Copper Mining	30	8	55⅜	28	69½	47¾	54⅝	‡.75
Armour Co. of Ill	6⅛	3¼	7⅜	4⅝	13¾	7	11½	‡.35
Atlantic Refining	28	20½	35⅛	26⅝	37	28	30	*1.00
Auburn Auto	45½	15	54¼	26⅝	36¾	21½	22⅝	....
Aviation Corp. Del	5¼	2¾	7¾	4⅝	9¼	5⅝	6⅜	....
B								
Baldwin Loco. Works	6⅝	1½	11¾	2½	11¼	5⅜	6	....
Barber Co	22½	11¾	38½	21	43⅜	29⅝	31⅞	‡.25
Barnsdall Oil	14¾	5⅞	28¼	14⅛	35¼	24¼	27	1.00
Beatrice Creamery	20⅛	14	28⅜	18	28¾	22⅛	23	*1.00
Beech-Nut Packing	95	72	112	85	112	105	109½	6.00

Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1935		1936		1937		Last Sale	Div'd $ Per
B	High	Low	High	Low	High	Low	6/9/37	Share
Bendix Aviation	24½	11⅞	32⅜	21⅝	30½	19⅛	20½	‡.50
Best & Co	57½	34	72	48	62¾	48	49	2.50
Bethlehem Steel	52	21⅝	77¾	45¾	105½	73	86	‡1.00
Boeing Airplane	22½	6⅛	37⅜	16⅞	49¾	31⅝	34⅜	....
Borden Co	27¾	21	32⅜	25⅝	28	23½	23⅞	1.60
Borg Warner	....	....	....	....	47	38⅞	45⅝	2.00
Bridgeport Brass	17⅛	8½	18⅞	12⅛	23¼	15	17½	1.00
Briggs Mfg	55⅜	24½	64⅞	43¼	59⅞	41	45¼	‡1.50
Brooklyn-Manhattan Transit	46¾	36½	58¼	40¼	53	21	23	4.00
Bucyrus Erie	8⅞	4¼	21¾	8⅞	25¼	15⅞	16⅝	....
Budd Mfg	9¾	3¼	15⅞	9⅛	14⅜	8⅝	8⅞	....
Byers & Co. (A. M.)	20⅝	11⅜	29⅛	16½	33¾	20⅞	22⅜	....
C								
Calumet & Hecla	6¾	2½	16½	6	20⅛	12	14½	‡.75
Canada Dry Ginger Ale	17⅞	8⅛	30¾	10⅜	38¼	25⅛	29⅝	....
Case, J. L	111¼	45¾	186	92½	176½	138	173½	4.00
Caterpillar Tractor	60	36½	91	54¾	100	85½	93¾	*2.00
Celanese Corp	35⅜	19½	32¼	21¾	41¼	26⅝	40	‡1.50
Cerro de Pasco Copper	65⅜	38⅝	74	47¾	86⅜	60	69	4.00
Chesapeake Corp	61¼	36	100	59	68⅞	54⅞	58½	*2.80
Chrysler Corp	93⅞	31	138¾	85½	135¼	106½	111	‡3.50
Coca-Cola Co	93	72½	134	84	170½	122½	164	*2.00
Colum. Gas & Elec	15¾	3⅜	23⅜	14	20⅞	11⅛	11⅝	.40
Commercial Credit	58	39½	84⅞	44	69¼	56¾	62	*4.00
Comm. Inv. Trust	72	56¼	91¾	55	80¼	63½	66¼	*4.00
Commercial Solvents	23⅞	16½	24⅝	14¼	21¼	13½	13⅞	*.60
Commonwealth & Southern	3	¾	5½	2¼	4⅛	2	2⅛	....
Consolidated Edison Co	34¾	15⅞	48⅜	27¼	49⅞	34	34¼	*2.00
Consol. Oil	12¼	6½	17¼	11½	17⅞	14½	15⅝	.80
Container Corp	23⅛	22	26¼	15¾	37⅜	20⅝	28½	1.20
Continental Baking, A	11⅞	4½	35⅜	10⅜	37¾	21¾	22½	....
Continental Can	99¼	62¾	87¼	63¾	69⅛	50⅝	51¾	3.00
Continental Oil	35	15⅛	44⅞	28⅛	47⅜	39¾	44½	*1.00
Corn Products Refining	78⅜	60	82½	63⅝	71¼	54⅞	58½	*3.00
Crane Co	27⅜	7	50½	24	56½	42½	44	....
Crown Cork & Seal	48⅞	23½	91½	43⅝	100⅞	70½	73¼	2.00
Curti s Wright	4⅝	2	9¼	4	8⅜	5⅜	5⅝	....
Curti s Wright, A	12¼	6¼	21⅞	10½	23¾	16½	18⅜	†.50
Cutler-Hammer	47	16	83¾	43¼	90⅞	73½	80⅛	3.00
D								
Deere & Co	58¾	22¾	108¾	52	137½	104⅜	133¼	....
Distillers Corp. Seagrams	38½	13⅝	34⅝	18¼	29	20¼	21½	....
Dome Mines	44⅞	34⅛	61½	41½	51	38⅛	40	*2.00
Douglas Aircraft	58⅜	17½	82¼	50⅝	77¼	47⅛	58½	....
Du Pont de Nemours	146½	86⅝	84¾	133	180⅛	148½	155	‡2.75
E								
Eastman Kodak	172¼	110½	185	156	175¼	151	170¼	8.00
Electric Auto Lite	38¾	19⅜	47½	30¾	45½	34¾	40⅛	‡1.40
Elec. Power & Light	7½	1⅛	25⅞	6⅜	26⅝	15¼	16¾	....
Endicott Johnson Corp	66	52¾	69	53½	60	55½	56	*3.00
F								
Fairbanks, Morse	39½	17	71¾	34¾	71⅞	49½	57	*1.00
Firestone Tire & Rubber	25½	13⅛	36¼	24⅞	41⅜	32⅜	32⅝	2.00
First National Stores	58⅞	44⅜	58⅝	40	52¼	40	40½	*2.50
Foster Wheeler	30	9⅞	45⅜	24⅛	54½	38½	43⅞	....
Freeport Sulphur	30⅝	17¼	35⅝	23½	32¼	24¼	26	1.00
G								
General Amer. Transpt	48½	32⅝	76	42¼	86½	65½	70	‡1.50
General Baking	13⅜	7⅜	20	10¾	19½	12½	12½	*.60
General Electric	40⅞	20½	55	34½	64⅞	49⅞	53¼	‡.80
General Foods	37⅞	30	44	33⅜	44¼	36	38⅜	2.00
General Mills	72½	59⅞	70½	58	65⅞	60	63	3.00
General Motors	59⅜	26⅝	77	53⅞	70½	52½	52⅞	‡1.25
General Railway Signal	41¼	15⅝	57	32½	65⅛	41¼	45	1.00
Gen. Realty & Utility	3⅛	¾	4⅞	2	5¾	3	3⅜	....
General Refractories	33½	16¾	71	33¼	70¼	57	61	‡2.00
Glidden	49½	23⅜	55¼	39½	51½	41	47⅝	*2.00
Goodrich Co. (B. F.)	14½	7½	35½	13⅝	50½	31	43	‡.50
Goodyear Tire & Rubber	26⅞	15¾	31⅞	21⅝	47⅜	27¾	40¼	‡1.00
H								
Hecker Products	22	14⅜	21⅜	12⅝	15⅞	11⅝	12	*.60
Houston Oil	7	1½	13⅞	6⅜	17⅝	12½	15½	....
Hudson Motor Car	17½	6¼	22⅝	13½	23¼	15⅛	15⅞	....
I								
Industrial Rayon	36⅜	23½	41⅜	25⅝	47½	36¼	39	2.00
Inspiration Copper	8⅜	2½	24¼	6⅛	33¼	17⅜	24⅞	....
Interborough Rapid Transit	23⅝	8¾	18⅞	10⅞	13¾	6½	6⅞	....
Inter. Business Machines	190½	149¼	194	160	189	149½	149¾	*6.00
Inter. Harvester	65⅝	34⅛	105½	56⅝	112¾	99⅛	110¼	2.50
Inter. Nickel	47¼	22¼	66⅜	43¼	73⅜	55⅛	59⅞	‡1.00
Inter. Tel. & Tel.	14	5⅝	19¼	11⅛	15⅞	9¾	10⅝	....
J								
Johns-Manville	99½	38½	152	88	155	125	128	*3.00
K								
Kennecott Copper	30⅜	13¾	63⅜	28¼	69⅜	51	59⅛	‡1.25
L								
Lambert	28½	21⅜	26¾	15⅞	24	18¼	19⅞	2.00
Lehman Corp	95¾	67⅛	123¾	89	42½	38⅜	42	*1.00
Libbey-Owen -Ford	49¼	21½	80¼	47¼	79	61½	67½	‡.75
Liggett & Myers Tob., B	122	93¾	116½	97¾	114	94⅞	100¾	6.00
Loew's, Inc	55⅛	31¼	67⅛	43	84½	64½	82	*2.00
Lone Star Cement	36⅞	22⅞	61⅞	35½	75¼	50¼	60	3.00
Lorillard	26½	18½	26½	21⅛	28⅝	21¼	21½	*1.20
M								
Mack Truck	30¾	18⅝	49¼	27⅜	62¼	42¾	47	*1.00
Macy (R. H.)	57¼	30½	65¼	40⅛	58¼	44¼	46½	*2.00
Marshall Field	14¼	6¾	25⅛	11⅛	30⅞	18⅞	25⅝	....
Masonite, new	....	....	64½	44	74	50	50¼	*1.00
Mathieson Alkali	33⅞	23¾	42⅜	27½	41¾	32⅞	35½	1.50
McIntyre Porcupine	45⅝	33¾	49⅜	38⅛	42½	32¾	34¼	2.00
McKeesport Tin Plate	131	90½	118½	83½	42½	31⅛	35⅛	2.00

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McKeesport Tin Plate Corporation

The Board of Directors has declared a quarterly dividend of Fifty cents (50c) per share on the Common Stock, payable July 1, 1937, to stockholders of record June 10, 1937.

C. A. KINKAID, Secretary

June 1, 1937.

Endicott Johnson Corporation

The Board of Directors has declared a dividend No. 73 of Seventy-Five Cents ($.75) a share upon the Common Stock and a dividend No. 5 of One Dollar and Twenty-Five Cents ($1.25) a share upon the Preferred Stock, 5% Series. Both dividends are payable July 1, 1937, to stockholders of record at the close of business June 18, 1937.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

HOWARD A. SWARTWOOD, *Secretary.*
June 7, 1937.

THE TEXAS CORPORATION

139TH Consecutive Dividend paid by The Texas Corporation and its predecessor, The Texas Company

A dividend of two per cent (2%) or 50¢ per share, on the par value of the shares of The Texas Corporation has been declared this day, payable on July 1, 1937, to stockholders of record as shown by the books of the corporation at the close of business on June 11, 1937. The stock transfer books will remain open.

C. E. WOODBRIDGE
May 27, 1937 *Treasurer*

The Western Union Telegraph Co.
New York, June 8, 1937.
DIVIDEND NO. 256

A dividend of 75 cents a share on the capital stock of this company has been declared, payable out of surplus, on July 15, 1937, to stockholders of record at the close of business on June 18, 1937.

G. K. HUNTINGTON, Treasurer.

COLUMBIA GAS & ELECTRIC CORPORATION

The Board of Directors has declared this day the following dividends:

Cumulative 6% Preferred Stock, Series A
No. 43, quarterly, $1.50 per share

Cumulative Preferred Stock, 5% Series
No. 33, quarterly, $1.25 per share

5% Cumulative Preference Stock
No. 22, quarterly, $1.25 per share

payable on August 15, 1937, to holders of record at close of business July 20, 1937.

HOWLAND H. PELL, JR.,
June 10, 1937 *Secretary*

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1935 High	1935 Low	1936 High	1936 Low	1937 High	1937 Low	Last Sale 6/9/37	Div'd $ Per Share
M								
McKesson & Robbins	10¾	5⅞	14¾	8⅝	16¼	12⅝	15	....
Mesta Machine	42⅝	24⅛	65	40⅝	72¼	58	63	‡2.75
Minn. Moline Power	7⅝	3⅞	12⅜	6½	16⅛	11	13⅜	....
Monsanto Chemical	94¾	55	103	79	101	85	90	‡1.00
Mont. Ward & Co	40⅞	21¾	68	35¾	69	48	54½	*2.00
Murray Corp	21⅜	4¾	22¾	14	20¾	11¾	12	†.20
N								
Nash Kelvinator	....	....	....	....	24⅝	17⅜	18⅛	1.00
National Biscuit	36⅜	22¼	38¾	28¾	33⅜	24	24⅛	1.60
National Cash Register	23½	13½	32⅝	21½	38⅞	29⅝	35	1.00
National Dairy Prod	22⅛	12⅞	28¼	21	26⅛	21⅜	22⅜	1.20
National Distillers	34½	23⅛	33⅜	25⅝	35	27½	30½	*2.00
National Lead	....	....	36½	26⅜	44	31½	34	*.50
National Power & Light	14⅜	4⅞	14⅞	9⅝	14¾	8¾	9⅝	.60
National Steel	83¾	40⅜	78	57¼	94½	70	78	*2.50
N. Y. Air Brake	36½	18½	83	32½	98½	73½	80	†1.00
Newport Industries	10⅞	4⅜	40	9	41¾	28	33¾	‡.50
North American	28	9	35½	23⅛	34⅞	22¼	24⅜	‡.60
North Amer. Aviation	7⅜	2	14¼	6⅝	17⅜	9⅝	12⅛	....
O								
Ohio Oil	14¼	9¼	18	12⅛	22⅞	17⅛	19⅜	‡.50
Otis Steel	17⅝	4¼	20¾	12½	24⅜	14½	17¾	....
P								
Pacific Gas & Electric	31⅝	13⅛	41	30¾	38	28¼	29½	2.00
Packard Motor Car	7½	3½	13⅜	6⅞	12⅜	8⅝	8⅞	‡.15
Paramount Pictures	12	8	25	7⅛	28¾	17⅝	19⅛	....
Penney (J. C.)	84¾	57¼	112½	69	103¾	87	90	4.00
Phelps Dodge	28⅛	12¾	56¾	25⅝	59⅞	43¼	45⅜	‡.80
Phillips Petroleum	40	13¾	52⅜	38⅛	59¼	49½	56⅛	*2.00
Procter & Gamble	53¾	42⅜	56	40¼	65½	55½	60	*2.00
Public Service of N. J.	46¾	20⅜	50½	39	52¾	37⅝	38½	2.60
Pullman	52⅞	29½	69⅞	36⅞	72⅛	55⅜	57	1.50
Pure Oil	17	5⅛	24⅞	16	24⅜	17¼	18¼	....
R								
Radio Corp. of America	13⅜	4	14¼	9¾	12¾	8½	8⅞	....
Radio-Keith-Orpheum	6	1¼	10⅞	5	10⅛	7¾	8⅛	....
Remington Rand	20¾	7	25	17½	29⅛	21	24⅛	‡.55
Republic Steel	20¾	9	29⅞	16⅞	47¼	27½	35½	....
Reynolds (R. J.) Tob. Cl. B	58⅝	43⅛	60½	50	58	49	50½	3.00
S								
Safeway Stores	46	31⅝	49⅝	27	46	31	34¾	*2.00
Schenley Distillers	56¼	22	55⅞	37¾	51¾	40½	41½	‡1.50
Sears, Roebuck	69⅞	31	101½	59⅝	95⅜	81	89	3.00
Shattuck (F. G.)	12⅞	7¼	19¾	11⅛	17⅝	12⅞	13	.60
Shell Union Oil	16½	5½	28¼	14¾	34¾	25⅝	29⅛	†.25
Socony-Vacuum Corp	15¾	10⅝	17½	12½	20¼	16¼	19½	‡.25
Spiegel, Inc	84	43⅞	114½	63	28¾	19½	21¼	1.00
Standard Brands	19⅛	12½	18⅛	14⅜	16¼	12⅜	12½	*.80
Standard Gas & Elec	9¼	1½	9⅞	5⅛	14⅜	5¼	6¾	....
Standard Oil of Calif	41⅛	27¾	47⅝	35	50	40⅝	42½	*1.00
Standard Oil of Ind	33⅜	23	48½	32¾	50	42	43⅞	*1.00
Standard Oil of N. J	52⅜	35¾	70⅜	51⅛	76	63⅛	66	*1.00
Stewart-Warner	18⅞	6⅝	24½	16½	21	17¼	18½	*.50
Stone & Webster	15⅛	2½	30½	14⅝	33⅝	19	19½	†.25
Studebaker	10¾	2¼	15⅞	9⅛	20	13¼	13⅞	....
Sun Oil	77	60½	91	70	77½	65	65	*1.00
T								
Texas Corp	30¼	16½	55¼	28⅞	65⅛	50⅜	59½	2.00
Texas Gulf Sulphur	36¾	28¾	44¾	33	44	35⅛	35½	*2.00
Texas Pacific Coal & Oil	9¼	3¼	15¼	7½	16⅝	11¾	14⅛	‡.10
Tide Water Assoc. Oil	15⅞	7⅝	21¾	14¾	21⅝	16⅝	17⅛	.80
Timken Detroit Axle	13⅛	4⅝	27⅞	12⅛	28⅞	21½	22⅝	2.00
Timken Roller Bearing	72½	28⅜	74½	56	79	59½	60¼	3.00
Twentieth Century-Fox	24⅞	13	38⅝	22½	40⅞	33¾	37	‡1.00
U								
Underwood-Elliott-Fisher	87¼	53¾	102⅜	74⅝	100⅛	76½	85	‡1.75
Union Carbide & Carbon	75¾	44	105¼	71⅝	11	95	100	3.20
Union Oil of Cal	24	14¾	28½	20¾	28¼	23¼	24	1.20
United Aircraft	30⅜	9⅞	32⅜	20⅝	35⅛	23⅛	26¼	‡.50
United Carbon	78	46	96¾	68	91	69¾	83½	4.00
United Corp	7¾	1½	9¼	5⅜	8½	4½	4½	†.20
United Fruit	92¾	60½	87	66½	86¾	77	78¾	*3.00
United Gas Imp	18½	9¼	19½	14⅛	17	12	12	1.00
U. S. Gypsum	87	40½	125¼	80½	137	105½	109¼	*2.00
U. S. Industrial Alcohol	50⅝	35⅛	59	31¼	43⅝	32¾	34	....
U. S. Pipe & Fdy	22⅝	14¾	63⅞	21½	72¼	50½	50½	3.00
U. S. Rubber	17¼	9⅛	49⅜	16⅜	72⅜	44¼	59⅝	....
U. S. Smelting, Ref. & Mining	124½	91¾	103¾	72¼	105	79	87¾	‡4.00
U. S. Steel	50⅝	27½	79⅞	46⅜	126½	75	99¾	....
U. S. Steel Pfd	119¼	73⅝	154¾	115½	150	131	134⅛	7.00
Utilities Pw. & Lt., A	4¼	1	7	3⅛	4⅞	2	2⅛	....
V								
Vanadium	21¾	11¼	30⅝	16¼	39⅜	26	28⅝	....
W								
Walworth Co	....	....	12⅜	5½	18¾	11¼	15⅜	....
Warner Brothers Pictures	10¾	2¼	18⅜	9¼	18	11⅛	13⅜	....
Western Union Tel	77¼	20⅝	96⅛	72½	83½	54¼	57	3.00
Westinghouse Air Brake	35¾	18	50⅞	34¾	57¾	41⅞	45	1.00
Westinghouse Elec. & Mfg	98¾	32⅝	153½	94½	167⅝	130¼	143	‡2.00
Wilson & Co	9¼	3⅞	11	6⅝	12¼	8¾	9¼	.50
Woolworth	65¼	51	71	44¾	65⅜	44¼	45¾	2.40
Worthington Pump & Mach	25¼	11¾	36¾	23⅛	47	32½	34	....
Y								
Yellow Tr. & Coach, B	9¼	2⅝	23¼	8¾	37⅜	20⅛	25	....
Youngstown Sh. & Tube	47⅛	13	87¾	41¾	101⅞	75½	83¼	‡.75
Z								
Zenith Radio	14¾	1¼	42⅜	11⅛	40¼	31	34	‡1.00

* Annual Rate—not including extras. † Paid last year. ‡ Paid this year.

Third Quarter Outlook for Leading Industries

(*Continued from page 284*)

year. Incoming business, especially as regards locomotives, has shown some slackening, following earlier spurt. Renewal of new demand for rail equipment early in the autumn will depend on trend of car loadings over the next few months and judgment of rail managements as to their longer prospect. It appears probable from the present perspective that substantially enlarged movement of farm products will more than offset any probable recession in other freight traffic during the third quarter and that net result will be a new high of recovery in total tonnage moved. As in heavy industrial machinery and construction, a huge accumulated deficiency in rail equipment still remains to be made up and only a minor start has been made in applying to the national inventory of railway rolling stock the radical improvements in design and efficiency developed in recent years.

FARM EQUIPMENT—What informed opinion thinks of both the nearby and longer prospect for farm equipment is clearly revealed by current market action of leading stocks in this field. As this is written, with the general market level some 18 per cent under the March high, International Harvester has made a new high and Deere and Case are within striking distance of previous bull market highs. With substantially larger crops fully offsetting lower prices, it is likely that farm income in the third quarter will be 20 to 25 per cent larger than a year ago. Sales of agricultural equipment closely follow the trend of farm income. It is therefore quite certain that third quarter volume in this industry will show large gains over a year ago and probable that dollar sales will be the best since 1929. The seasonal factor, of course, will be in its favor.

HOUSE FURNISHINGS — Furniture, floor coverings and other durable or semi-durable goods of household use have a depression-recovery cycle virtually as extreme as that in capital goods for the reason that goods of this type are characterized by postponability of demand, while consumption goods of daily necessity are not. Volume in this field is estimated at, roughly, a $5,000,000,000 annual normal, and is probably at present not much more than half of normal in older lines, such as furniture, although near boom proportions in various new goods. As in essential capital goods, there remains an accumulated deficiency, the making up of which depends on status of public buying power. Rising volume of residential construction is also a strongly favorable factor. In this field costs have been rising substantially, but from a depressed level; and, in line with generally more realistic price policies in business, every effort will be made to hold down retail prices this summer and autumn. Since aggregate consumer income, especially among industrial workers and farmers, has risen much faster than has the cost of living, the chances are that third quarter volume in house furnishings and equipment will show no recession.

The capital goods and durable goods industries heretofore covered play the major role in the more significant variations of the business trend, and most are basic or originating sources of industrial activity. As long as their trend is favorable the trend in industrial-supply industries—such as non-ferrous metals and chemicals—will likewise be favorable. Moreover, variations in these key industries and the supply industries geared to them are the major variable in various service lines, such as the railroads, and through their effect in payrolls and dividends exert a vital influence on retail trade and consumption goods generally.

On the whole, it is impossible to see in the picture any probability of more than minor and temporary third quarter recession in total business activity. Textiles, especially cotton and woolens, appear to be in the most vulnerable spot and some uncertainty attaches to the steel outlook because of the labor situation, and to retail merchandise outlook because higher prices have yet to meet their real test. As to the last-named uncertainty, we doubt that prices in the third quarter will be as high as was generally forecast a few months ago, or that serious "consumer resistance" will be encountered. Even more than normally, however, business men will be watching this matter of consumer reaction and public buying power in coming weeks, for in the final analysis—with forward buying out of the picture—the state of purchasing power will determine the scope of any nearby recession in sales of consumption goods and will largely influence the timing of the next phase of industrial advance. **Because of its special importance and interest at this time this publication in its next issue will undertake a realistic analysis of prospective trends in consumer buying power.**

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RB-6-22

What Federal Power Means to Industry and Investors

(Continued from page 303)

Arizona and Nevada, the cities of Los Angeles, Pasadena, Glendale and Burbank, and several private utility companies.

The Effects. The Boulder Dam project is to be distinguished from other Government power developments in that the beneficial effects are much more clearly defined. Here, for example, someone stands ready to take the power and it is neither a case of praying that a demand will develop, nor of "stealing" customers already well served by someone else. It is to be remembered always in connection with this particular project that it was planned and authorized on the basis of being self-liquidating and by a regime which was careful (by present-day standards) in the disposition of Federal funds. In addition to providing Southern California with a badly needed addition to its water supply and in addition to controlling floods, the power generated by Boulder Dam that has been reserved for the states of Nevada and Arizona may well build up a more important ore-reduction industry in the neighborhood.

Utilities Affected. The Southern California Edison Co. is the most important private utility affected by the Boulder Dam. The situation, however, is quite different from that confronting the private utilities in the Tennessee Valley, for example. Southern California Edison has contracted to take 7.2 per cent of the firm power developed and is obliged under certain conditions, if Nevada and Arizona take no power, to absorb 14.2 per cent more. The contract, however, only becomes effective three years from the time that the City of Los Angeles began to take Boulder power, or something over two years from the present time. It is interesting to note that when Southern California Edison has amortized the generating equipment which the Government will build for its use at the dam site, paid transmission, sub-station and other costs, its power will be no patent bargain, for the cost will be one that a modern steam plant could duplicate.

Whether Southern California Edison will be hurt or helped by the obligation to absorb large additional amounts of power depends upon whether it can dispose of them. Unfortunately, the ability to do so is complicated by the loss of wholesale business with the cities of Los Angeles, Glendale and Burbank—the cities having arranged to take power direct from Boulder. On the other hand, the company is not sitting idly by: not only is it making valiant efforts to expand its business, but by interconnections with other utilities, notably Pacific Gas & Electric, it will be in a position to substitute Boulder power for power now provided elsewhere.

Conclusion. It is only necessary to call attention again to the radically different conceptions that lie behind Boulder Dam and other government power projects. Boulder may, or may not, be worth the cost: it may even be something of a drag upon Southern California Edison's expansion. Certainly, however, here is a Federal power project which promises to do a great deal more good than harm—a marked contrast to T V A which is spending vast sums of money not only wastefully but in a manner which promises to be viciously destructive.

The Cost of Government and Your Taxes

(Continued from page 287)

tee hopes to do vastly better one of these days, but it spent only $800,000 in 1936.

The Social Security Board has scarcely started, but it is down for $279,000,000 in 1938, and not a cent for its reserve fund included.

The Tariff Commission cost less than a million dollars, but the Veterans' Administration engulfed $2,350,000,000 last year, the Resettlement Administration will cost $150,000,000 this year; it is both costly and news-making.

On the other hand, S E C cost only $3,000,000 in 1936, but heaven only knows how much it has cost the public in book-keeping accounting sanitation and general all-around worry.

The Department of Justice costs only nine or ten million dollars a year, and with the judiciary system, costing seventeen or eighteen millions, was thought to do pretty well in its functions of public discipline, punishment, and general law enforcement, without the recent Brain Trust reinforcements.

Pay Day Approaches

The watch word all through this session of Congress has been, "No additional taxation!" My guess is that, in a broad way of speaking, there will be none. Borrowing is still too good.

But the President started something when he began to look for some way to plug the tax avoidance rat hole which he seems to think is taking $400,000,000 annually out of the nation's feed box. (Merely corrective of course, but the operation may be a bit nearer the vital organs than it seemed to be intended). Others than the party managers may leap into the saddle and ride reform and social justice over economy now that the subject is up.

This be your assurance however: that, at least, personal income taxes will not be increased.

There may be some action to relieve small corporations of part of the burden of the surplus reserves (undistributed profits) taxation, but the disposition is to make the dimensions of "small" corporations less and less for this purpose. Senator La Follette, saying "The bourgeoisie, there is the enemy," will try hard to sell the Lewis crowd the idea that social justice will get nowhere until income, from $12,500 to $25,000 are slaughtered to make a holiday for sit-downers, but he won't be able to make the grade this time. Indirectly, of course, the increasing prices which flow from inflation—the inevitable result of our cumulative high taxes and grandiose borrowing will fall on the masses, whose purchasing power dollar is descending faster than their selling power dollar rises. Some nimble business men and certain trades and occupations may feel heady for a while, but wait until the final reckoning comes.

Probably brokers, speculators, middlemen, etc., will have a part of a day in the sun but any tax law that does not now reduce taxes will in effect increase them.

The Comptroller of the State of New York

will sell at his office at Albany, New York,
June 22, 1937
at 1 o'clock P. M., (daylight saving time)

$40,000,000.00

Serial Bonds of the

State of New York

Dated July 6, 1937 and maturing as follows:
$30,000,000.00 — 1938 to 1947
10,000,000.00 — 1938 to 1962

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$30,000,000.00 — Unemployment Relief Bonds — maturing $3,000,000.00 annually July 6, 1938 to 1947, inclusive.

$10,000,000.00 — General State Improvement Bonds — maturing $400,000.00 annually July 6, 1938 to 1962, inclusive.

Bidders for these bonds will be required to name the rate of interest which the bonds are to bear not exceeding 4 (four) per centum per annum. Such interest rates must be in multiples of one-fourth of one per centum and not more than a single rate of interest shall be named for each issue.

Bidders may condition their bids upon the award to them of all but no part of the entire $40,000,000.00 bonds and the highest bidder on the basis of "all or none" will be the one whose bid figures the lowest interest cost to the State on all issues combined after deducting the amount of premium bid if any.

No bids will be accepted for separate maturities or for less than par value of the bonds nor unless accompanied by a deposit of money or by a certified check or bank draft upon a solvent bank or trust company of the cities of Albany or New York, payable to the order of the "Comptroller of the State of New York" for at least two per cent of the par value of the bonds bid for. No interest will be allowed upon the good faith check of the successful bidder.

All proposals, together with the security deposits, must be sealed and endorsed "Proposal for bonds" and enclosed in a sealed envelope directed to the "Comptroller of the State of New York, Albany, N. Y."

The Comptroller reserves the right to reject any or all bids which are not in his opinion advantageous to the interest of the State.

Approving opinion of Honorable John J. Bennett, Jr., Attorney General of the State, as to the legality of these bonds and the regularity of their issue will be furnished the successful bidder upon delivery of the bonds to him.

If the Definitive Bonds of this issue can not be prepared and delivered at a time to suit the purchaser, the State reserves the right to deliver Interim Certificates pending preparation of the Definitive Bonds, and will endeavor to have these Interim Certificates ready for delivery on or about July 6, 1937.

The net debt of the State of New York on June 1, 1937, amounted to $676,931,829.77 which is about 2.6 per cent of the total assessed valuation of the real and personal property of the State subject to taxation for State purposes.

Circulars descriptive of these bonds will be mailed upon application to

MORRIS S. TREMAINE, State Comptroller, Albany, N. Y.

Dated June 10, 1937.

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Wage and Hour Regulation

(Continued from page 293)

will be a number of others, of course, but on the face of it their position is less clearly defined.

Turning now to figures on non-durable goods as given by the Bureau of Labor Statistics, it is found that both hours worked and hourly earnings are appreciably lower than in durable goods. Average hours were 39.6 against 42.4 for durable goods and average hourly earnings 55.4 cents against 67 cents. As was the case with durable goods, the various divisions of non-durable goods show wide differences in the work-week and hourly wages. Contrary to the general impression the figures given for the numerous divisions of the textile and clothing industry show a work-week generally well under forty hours; even among those that have a work-week longer than forty hours in only one case does it exceed forty-one hours. However, the Black-Connery Bill seems destined to have its effect upon a number of textile and clothing industries from the standpoint of minimum hourly wages. For example, the average hourly wage in cotton goods is given as 39 cents, in men's furnishings as 33.6 cents and in shirts and collars as 37.5 cents. Other divisions close to the forty-cent borderline will be appreciably affected, too, for one must not forget that these are *average* hourly wages and that any average close to forty cents must necessarily include many workers making less than this rate.

In the case of food and kindred products, hours in general are appreciably above forty a week: wages, however, for most divisions seem well above forty cents an hour. In the case of tobacco and cigarettes, the average work-week is less than thirty-seven hours, but the average wage of 42.4 cents an hour appears to be close to the critical. Workers in paper keep longer than average hours, so do most of those in chemical plants and in rubber plants other than tires and tubes. Cottonseed oil, cake and meal, together with fertilizers, stand out as divisions with a particularly poor hourly wage.

The figures for non-manufacturing occupations are interesting and in some cases surprising. Coal miners apparently receive a good hourly rate when they work, but work is irregular a great deal. Anthracite coal with a twenty-eight hour week and a seventy-nine-cent-an-hour rate would seem to meet the Black-Connery requirements with a margin of almost a hundred per cent in every direction. It is curious that an industry whose acute sickness is admitted by every one should show up so well according to the Black-Connery standard of hours and wages and one cannot help wondering whether, if every industry and occupation showed up as well, the condition of all would be as deplorable as that of hard coal.

Workers in metalliferous mining, retail trade generally, hotels and laundries all labor long hours. Those in hotels and laundries are poorly-paid to boot. It is known that many in retail trade make less than forty cents an hour, but the average figure given by the Bureau is 53.5 cents. Undoubtedly labor costs will rise here unless the Board grants unusual concessions.

It is unfortunate that the available information can give no more than a glimmering of those that will be most affected by wage and hour legislation. Definite knowledge of specific industries and companies will have to wait the time when it is known how many workers there are and how many make less than the set minimum. And this in all probability will only be known after the Federal Labor Standards Board has actually been set up and announced its findings after long and costly investigation.

Nevertheless, even at this time several points may be made. To lower the hours of work other things being equal, means lessened production and lessened production means less goods to divide among the people and, therefore, a lower standard of living. In cases like this, however, the "other things" are never equal and we have no doubt that human ingenuity and increased efficiency would enable the country as a whole to stand a forty-hour week, although it is very much to be doubted whether it is ready as yet for anything less. In the matter of arbitrarily raising wages there seems to lie a greater danger than in the moderate shortening of hours. High rates for building labor unquestionably have retarded recovery in this field: high rates in hard coal have resulted in men working three days a week at the union scale and three days a week as bootleggers for a mere pittance. No one is in a position to say whether the forty-cent minimum which it is proposed to write into the Black-Connery Bill is too high, although it might have been wiser to have started a little lower until experience had been gained with the workings of a minimum wage law.

If only the Black-Connery Bill had confined itself to the elimination of child labor and to the elimination of the sweatshop, no one would object to it. Nor would anyone object to another bill designed to curb certain abuses on the part of employers in the matter of labor spies, guards and the like. However, in the enormous powers that Senator Black and Representative Connery would convey to a government agency to fix different minimum wages for different industries, located in different sections of the country and to *alter them from time to time* it is an objectionable and dangerous piece of legislation.

Price Outlook for Major Crops

(Continued from page 299)

of August 1, 1937, will be cut down by a million bales as compared with last year, which means the price structure will not be seriously threatened. If we are to be honest with ourselves, though, we must consider the growth of foreign acreages. Against ten years averages, ended 1933, Brazil shows increase of 241 per cent; Russia, 194 per cent; China, 74 per cent. Also in some cases production per acre has gone up faster than the acreage figure. American cotton needs a revival of sound international trade; for example, the restoration of Germany as a first rank consumer as against her present substitute fibers, then our export figures would look better.

All in all, the outlook for farmer buying power is better than in any recent years and his dollar is on a practical parity with the urban dollar as it was before the war, say in 1910-1914. Business and industry—merchandising and manufacturing—can now look forward with some increased confidence.

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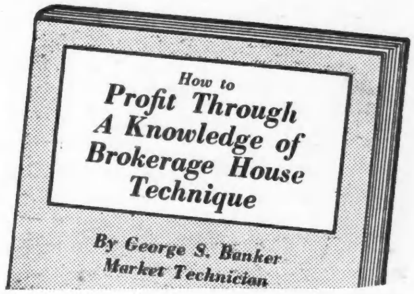

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Shares	Stock	Price Paid

Southern Railway

(*Continued from page* 307)

prevailed in the 1923-1929 period, there would be plenty of traffic for both rail and motor transport. Moreover, from this distance it would seem somewhat pointless to debate the question whether Southern ever again will earn $17.16 per common share, as it did in 1926. No one can say, but if it recovered half of that earning power—and, in this writer's belief, it stands a better than even chance of recouping more than that—the common and preferred stocks would be entitled to sell for higher than at present.

Fixed charges have not increased, but, in fact, have been reduced by approximately 4.5 per cent from 1928 peak, chiefly by debt retirement. Taxes are rising but the biggest part of the rise is incident to larger income to be taxed. The tax total last year was $5,892,000, as compared with $5,067,000 in 1935; but the total was $9,349,000 in 1929 and it was $8,395,000 in 1930. On the other side of the picture, operating efficiency—as on all well managed railroads—has been radically increased, as last year's operating ratio indubitably shows. Assuming eventual recovery of freight traffic to something near the 1923-1929 level—with no allowance for secular business growth incident to increase in population—and applying present operating efficiency to such movement, there is, in this writer's opinion, a better than even chance that the resultant gains will more than offset any probable increase in costs incident to higher wages, higher taxes, pensions, etc. We need not consider the matter of costs of materials. No one complained of such costs in the last prosperous period, supplies used by the railroads still are under former "normal" levels in most instances and there is little in the present setting to indicate a runaway commodity price inflation.

Capitalization of Southern consists 64 per cent of bonded debt and 36 per cent of preferred and common stocks. Percentage of debt is heavier than that of a minority of strongest carriers but better than that of most. It compares, for example, with 56 per cent debt and 44 per cent stock in the case of Northern Pacific; but with 68 per cent debt and 32 per cent stock for Baltimore & Ohio, and with 69 per cent debt and 31 per cent stock in the instance of New York Central. Southern's fixed charges per mile are, roughly, $2,975, against $2,840 for Northern Pacific, $7,118 for Baltimore & Ohio and $8,340 for New York Central. Such comparisons, of course, must be interpreted with allowance for great variations in respective traffic densities.

Under normal business conditions Southern's coverage of fixed charges has compared very favorably with that of most good roads. Over the 1923-1929 period average annual coverage was 2.15, as compared with 2.23 for Northern Pacific, 2.11 for New York Central and 1.87 for Baltimore & Ohio. In the bottom year, 1932, however, coverage for Southern was only .36 as against .86 for Northern Pacific, .81 for B. & O. and .70 for New York Central. This was due partly to relatively greater depression in Southern's territory and greater drop in investment income.

For that matter, if one looks forward to another deep depression, no rail equity or preferred issue is worth holding. As long as the economic trend is upward, the leverage inherent in Southern's set-up—with only 600,000 shares of preferred and only 1,298,000 shares of common outstanding—can produce sharp rise in per share earnings.

Naturally, no one expects industrialization in the South ever to vie with that in the East or Middle West, but, again, this is a relative matter. There has been in recent years, and is continuing, an important migration of industry to the South and this is a boon to all railroads in that area. Industrial construction in the South is at an all-time high. Last year on the Southern's lines there were established 153 new industrial plants and additions were made to 116 other plants.

As a few samples of economic conditions in that territory we may take some items at random from the most recent available bulletins of the Federal Reserve Banks of Atlanta and Richmond. In the Sixth District (Atlanta) March department store sales were the highest for any March since the index was started in 1919. Wholesale trade was 27.6 higher for the first quarter, compared with first quarter of 1936, with March wholesale trade best for any month since October, 1929 and best for any March since 1920. March building volume was up 46 per cent from year ago, against gain of about 17 per cent for thirty-seven states east of the Rockies. In the Fifth District (Richmond) March building was up 48 per cent; and new passenger car registrations for the first quarter were up 31 per cent against national gain of 23.8 per cent.

It may, of course, be held that these gains are in part artificial, reflecting Federal farm benefits and relief—but the same applies more or less to all areas; and we are not soon likely to get away from a basic Federal policy aimed at maintaining farm prosperity in one way or another.

On the whole, the strongest point in Southern's favor is the improved industrial prospect of the South, plus further recovery of the more northerly industrial regions that it taps in Ohio, Indiana, Illinois and Missouri. There is likely to be little long-term change of vital importance in its volume of agricultural freight. Other than coal, traffic in mine products is subject to further recovery and probably to additional long-term growth with increase in population.

Bituminous coal — and therefore transportation thereof—is a much debated subject. There is good expert opinion that in the past generation or so bituminous coal has lost about 25 per cent of the total energy market in which it is actually competitive, but since the total energy market has greatly expanded, this means a static trend in bituminous coal demand rather than severe decline. For example, bituminous coal production was approximately 568,000,000 tons in 1920 and 535,000,000 tons in 1929, a decline of less than 6 per cent in nine years. The large shrinkage in the years following 1929 did not represent any important accentuation of this slow downtrend but chiefly the impact of depression. Bituminous coal remains, and for many more years will remain, the backbone of industrial energy. The efficiency of its conversion has been greatly increased and the day is far beyond the horizon when hydroelectric power will relegate it to the doom of forgotten things. Meanwhile, wholly apart from long-term trend,

there will be further cyclical recovery in use of coal.

If T V A proves the glowing success that its sponsors dream of, it will produce more traffic for Southern Railway than it kills. If that seems strange, remember, as heretofore pointed out, that L-C-L freight alone produces a bigger percentage of Southern's gross than does bituminous coal.

This road was able to meet charges during the worst years partly because it entered the depression with large cash assets and partly by means of moderate loans from the RFC. The latter notes now amount to $19,327,000 and Southern eventually should have little difficulty either in paying them off or converting the obligation into bonded debt. Cash holdings as of Dec. 31 amounted to $12,507,000; and current assets of $24,249,000 compared with current liabilities $17,951,000.

On the basis of showing during the first four months of this year, Southern should earn at least $4 on the common for 1937. Whether it will pay anything on the equity this year, under the pressure of the undistributed profits tax, is problematical. Naturally, restoration of the $5 preferred dividend, which will probably be covered by a wide margin this year, will come first. Both stocks, in this writer's opinion, possess attractive speculative potentialities.

How to Uncover Opportunities in Out-of-Line Stocks

(*Continued from page 305*)

formance. Sometimes market action of this type is a danger signal, particularly for the shorter term trader. Sometimes such plottings will disclose that an individual issue is definitely behind the market in relation to its earnings and trade prospects, either because of the lack of public interest or because of temporarily adverse earnings or some other transitory company development. Either alternative must be recognized as a possibility in undertaking to appraise an "out-of-line situation" of this type.

In the case of Murray Corp. shares, it is noted that during the first six weeks of the year, there was little deviation from the group. Up to this time published earnings estimates of the 1936 earnings ranged from between $1.25 to $1.50 a share—calculations presumably based on the knowledge that important new body business had been booked by the company during the course of the past year. Early in March, publication of the annual report disclosed actual earnings of less than $1 a share, due to major changes in design resulting in heavier charges for new tools and dies and plant rearrangement to handle new lines. Strike troubles in the motor industry also resulted in a disappointing first quarter earnings showing.

In this case, the materialization of the deviation in price trend from that of the accessory group occurred simultaneously with unfavorable earnings statements, thereby indicating that the poor profit showing was the cause of the out-of-line movement of the shares in the market. Transitory factors, namely, extraordinary write-offs and labor troubles of customers, appear to have been largely responsible for the drop in earnings, however, in which case backwardness of shares might well indicate a speculative opportunity, rather than a danger signal.

The plotting of out-of-line stock price movements, as illustrated on these pages is a practical method of making a definite check against the general impressions that might be obtained by only casual attention to the price movement of individual issues. The practice of plotting out-of-line price movements serves as an attention-caller rather than as a definite trend forecaster. Deviation of an individual issue from the general price trend of its group is seldom the result of accident or disinterest on the part of investors or traders. The latter particularly are constantly scanning the market for lagging issues that would present a better than average profit possibilities. It is best to assume, therefore, that a conspicuous stock movement or a marked deviation from the price trend of a group is for good and sufficient reason. By carefully plotting such deviation, two elements are definitely fixed, namely, the time and the degree. Consequently, from information available, it can be ascertained whether or not any known facts adequately account for the particular price movement under investigation. When the facts behind the price movement are dis-

New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1937 Price Range High	1937 Price Range Low	Recent Price
Alum. Co. of Amer.	177½	120	141½
Amer. Cyanamid B (*.60)	35⅞	26⅝	33½
Amer. Gas & Elec. (1.40)	48¾	30	30
Amer. Lt. & Tr. (*1.20)	26⅛	18¼	18¾
Amer. Superpower	3	1⅜	1⅜
Assoc. Gas & Elec. "A"	5⅛	2½	2⅝
Cities Service	5⅜	3	3
Cities Service Pfd.	60	45½	46¾
Colum. G. & E. cv. Pfd. (5)	104¼	65	65
Colum. Oil & Gas (‡.20)	10⅞	6½	7
Commonwealth Edison (*4)	139	107	109½
Consol. Aircraft	33¾	20¼	23½
Consol. Copper	11⅝	7¾	9¾
Consol. Gas Balt. (3.60)	89⅛	69	69¾
Creole Petroleum (*.50)	38	28½	33¾
Eagle Picher Lead (‡.20)	27⅞	17¼	20
Elec. Bond and Share	28⅛	15⅛	15⅛
Elec. Bond & Share Pfd. (6)	87½	68⅛	68¾
Ex-Cell-O A. & T. (‡.40)	27⅝	18¾	20½
Fairchild Av. (†.15)	8¾	5¾	5⅞
Ford Mot. of Can. "A" (1)	29¾	22¼	22½
General Tire	38½	18⅜	27¾
Glen Alden Coal (*1)	15	10	10⅞
Gulf Oil of Pa. (‡.25)	63½	51⅝	52¾
Hudson Bay M. & S. (‡.75)	42	27	28⅞
Humble Oil (1.50)	87	75	78⅝
Imperial Oil (*.50)	24¼	20⅛	20⅞
Lake Shore Mines (*4)	59½	47¾	48¼
Lockhead Air	16¼	9¾	12½
Massey Harris	16⅞	8¼	13¾
Molybdenum	11⅜	8½	9⅞
National Bellas Hesse	3½	1⅞	2
National Sugar Ref. (2)	28	24¾	25
Niagara Hudson Power	16⅞	11	11⅛
Niles-Bement-Pond (‡1.00)	56	40	54
No. Am. Rayon "B" (‡1.00)	50¾	35	43⅜
Pan-Amer. Airways (*1)	75½	59	63⅜
Pantepec Oil	9⅝	5½	7⅝
Penroad Corp. (†.25)	5⅜	3¾	3⅞
Pepperel Mfg. (*6)	151	120	123¾
Pitts. Pl. Glass (‡2.00)	147½	114½	128
St. Regis Paper	11¾	8⅛	8⅛
Sherwin-Williams (*4)	154¾	122	125
Technicolor, Inc. (†.50)	31	18⅝	26¾
United Gas Corp	13⅝	8¼	9
United Lt. & Pw. "A"	11⅜	5½	5⅞
United Lt. & Pwr. Pf. "A"	75⅞	39	40⅛

‡ Paid this year.
* Annual rate—not including extras.
† Paid last year.

closed, then the availability of an accurate record of the extent of the deviation of an individual stock provides a practical basis to judge at what point the price advance (or decline) makes adequate allowance for the development that influenced the sentiment of buyers and sellers in the issue.

THE MAGAZINE OF WALL STREET group indexes, comprising 43 groups of the more important industries and 330 individual stocks which make up these groups furnishes subscribers with considerable reference material for such studies. The method of plotting individual issues and group indices on a logarithmetical scale is considered the most practical since comparisons then can be made readily between data in varying price ranges. The deviation of the individual issue from its group can then be readily ascertained by actual measurement or by dividing the index into the stock price to obtain a percentage figure from which deviations can be computed.

Outlook for Liquor Stocks

(Continued from page 311)

substantial rise in grain prices would seem to preclude the likelihood of lower whisky prices, unless mounting supplies should force distress stocks on the market. The bulk of whisky inventories, however, are held by the larger companies, such as National Distillers, Schenley, Distillers Corp.-Seagrams and Hiram Walker, which are well able to finance them. Nevertheless, the problem of mounting production will bear watching.

Another problem recently faced by the liquor industry is the growing tendency of various States to impose barriers against alcoholic beverages produced outside their borders. Missouri has passed an "anti-discriminatory" bill, and similar legislation is pending in Connecticut, Illinois, Rhode Island and Wisconsin. Such bills were either rejected or vetoed in Ohio, California, Iowa and Nebraska. The language of the Repeal Amendment apparently gives States complete control of interstate shipments of liquor but legislation of the anti-discriminatory type is short-sighted and to the distinct disadvantage of not only the distiller of nationally advertised brands of whisky, etc., but the consumer as well, depriving him of variety and adding to the cost.

From all of which it will be seen that the liquor industry has plenty to worry it, and the market attitude toward liquor shares is bound to reflect this state of affairs. Withal, however, the leading companies should be able to maintain profits at a fairly stable level and, in most instances, the yield on liquor shares affords some measure of compensation for the absence of much in the way of dynamic possibilities marketwise.

Steel Prospects for the Next Six Months

(Continued from page 289)

advances. No price advances, it appears, would be sanctioned, and thus any increase in costs would have to be absorbed. What the SWOC is attempting, presages higher costs; otherwise the organization has been wasting its money.

Hitherto the steel industry, in considering wage advances, has studied conditions, to determine whether economic conditions would justify such action, whereby consumption would not be altered. Always the steel industry wants tonnage. Now, apparently, its hands would be tied at such a juncture.

In some quarters, complete collapse of the SWOC movement is referred to as a distinct possibility though perhaps not as a probability. Certainly the movement must make steady progress or "flop."

As noted at the outset, consuming demand is not altered but consumption itself will depend on supply. In event of scarcity producers would have the choice of refusing orders offered, or of charging what used to be called "premiums for prompt delivery," conditions prompting this frequently arising.

The railroads are not taking as much steel as they averaged during the active period, but they have been doing better in the last few months as steel buyers than was predicted. Elimination of the freight surcharges January 1, referred to in many quarters as putting a damper on buying, has had no visible effect. Now, however, there is the fresh menace of higher wages.

The automobile steel market has large requirements and distinct prospects of fairly heavy requirements for at least two months. Model changes will be made chiefly in September, or later than was predicted recently, the deferring being due apparently to continued heavy demand, with some dealers still behind in deliveries. While assemblies have been running lighter than in 1929, a freak year, more steel is required per car, and the sum total of steel going into assemblies is higher than in 1929. Model changes are expected to be made rapidly. At the beginning of the depression commercial construction work dwindled sharply, but shipments of steel continued heavy through 1930. By the middle of 1932 there were virtually no new lettings, and the apparent gain in the last three years is illusive as the tonnage has not reached anything like normal proportions, while at the same time factories have become active in buying new equipment. The volume of public work has been decreasing for nearly if not quite a year. The Government policy lately has been to spend money directly to make employment. Residential construction has been increasing but is still light. Prospects of the steel house are simply promising.

The farm implement and tractor industries have been running at high rates and have correspondingly good prospects. Tin can factories have been running at record volume. Demand for general line cans had greatly increased, due partly to new uses. As to vegetables and fruits, packs promise to exceed slightly those of last season, indicated by planting of vegetables, but there may be a curtailment by bad weather. Mill operations were decreased fully 15 per cent by the strikes that began late in May. At the beginning of the year there were stocks of nearly 5,000,000 boxes, an average month's production of tin plate made from customers' specifications but not released for shipment at the time. These stocks have been moving freely of late as consumers realize that strikes interfere with shipments as well as production. A long range factor is that these stocks must be moved by September 30, or the advanced price of 50 cents a box be paid.

Making of things for household and personal use proceeds at its high rate, with prospects of some in-

creases rather than of decreases. On the whole, subject only to the uncertainties of the labor factor, the steel outlook remains promising and there is little danger of important relapse in demand during the second half of the year.

Bond Market Finds Even Keel

(*Continued from page 301*)

on the market in the near future. This figure, moreover, includes only the larger corporate issues.

Considerable significance attaches to the fact that the total of new money, as compared with refunding operations, raised by corporations in the first four months of this year was 60 per cent greater than for the same period of 1936. That this trend be continued and extended is an obvious prerequisite if we are to have a more complete recovery in the durable goods industries. The provisions of the surplus profits tax have the effect of circumscribing the reinvestment of earnings, while, on the other hand, rising business volume requires more working capital, new equipment and machinery and larger plants. Rising labor and material costs likewise enlarge the need for working capital and funds for the purchase of the most efficient equipment.

With a vigorous upturn in business this Fall, there promises to be a large number of borrowers, and lenders' funds available to them should be more than ample. To bring these factions together, however, will require a stable market and a common ground of interest rates upon which they can meet. Given these requirements, the normal functions of capital and investment can be expected to be resumed on an increasingly larger scale.

If it is assumed that the low interest rates prevailing at the beginning of the year were unattractive to lenders and called for some readjustment, such as supplied by the subsequent decline in bond prices, then a more normal relationship would seem to preclude the possibility of bonds recovering to their former peak levels. In short, the peak in *high grade* bond prices has been passed. It would still be possible, however, to have an extended period of comparatively low interest rates—but not abnormally low rates—and a comparatively high price level for Government and corporate bonds. Medium and second grade bonds are, of course, subject to other factors, aside from the trend of interest rates. This group, however, might be expected to reflect any improvement in the general market tone of high grade issues.

Inflation, with its unfavorable implications to the individual bondholder, is still a threat, but at the moment at least a less potent one, and for the investor seeking the security of bonds and a fair yield for some portion of his funds the present level of bond prices appears to offer a favorable buying opportunity.

Answers to Inquiries

(*Continued from page 322*)

Sears, Roebuck & Co.

I own some Sears, Roebuck bought at 60 more than a year ago. May I ask if you feel that it will go considerably higher, or whether this would be an opportune time to switch to one of the investment issues more depressed in the decline of recent months?—S. L. K., Chicago, Ill.

The relative firmness of Sears, Roebuck in recent market sessions indicates the merit of the issue in our opinion. During the sixteen weeks ended May 21st, sales registered a gain of 19.9% over the similar period last year. The president of the company estimated earnings at $6,800,000 in the 12 weeks ended April 23rd against $4,700,000 a year previously. The working capital position of the company at the end of the fiscal year was adequate for financing the increasing volume of sales. Certain policies pursued by the company now find justification, especially that of emphasizing the department store type of outlet in preference to the chain store type. Increasing sales are based on improved farm incomes as well as larger industrial earnings. A relatively larger portion of average expenditures is going into articles like refrigerators, furniture, and farm implements. Installment sales are on the increase although 80% of the company's business is still done on a cash basis. Featuring private brands, the company is less vulnerable to influences of price maintenance and similar trends. It is likely that distribution costs may increase thereby reducing profit margins. Offsetting this is the increasing volume of trade. We advise retention of your participation at this point.

Continental Insurance Co.

I am somewhat disappointed that Continental Insurance has not shown anything like the appreciation of most stocks in the last market advance. I would, therefore, be grateful for your estimation of its possibilities now and if you counsel further holding?—E. J. N., Minneapolis, Minn.

The market action of Continental Insurance has been pretty much in line with that of other comparable issues and may be attributed in part to a decline in underwriting profits. The trend toward reduced premium rates, coupled with somewhat higher fire losses are factors militating against better underwriting results. It is believed, however, that this is a temporary situation which will be relieved by further improvement in the general business picture. The report of the company for the year ended December 31, 1936, revealed a considerable improvement in the company's investment position and liquidating value per share of capital stock at the close of the year amounted to $42.81 a share, against $35.48 a year before. The company has a large portion of its total funds invested in common stocks and improvement in the market averages last year naturally accounts for the increase in liquidating value. As an offset to lower underwriting profits. the company has also enjoyed an expanding income on its portfolio. The stock currently is on a $1.60 annual basis, which may well be supplemented by extras, or increased, if the general business situation continues to improve. At current prices of around 36, the shares are reasonably priced in relation to indicated equity value and earnings.

While we do not anticipate any sharp improvement in the near term market action of the issue, we nevertheless feel that retention of investment holdings with a view to more favorable developments in the insurance business and in the general market situation will prove most satisfactory.

Profit Opportunities in Low-Priced Issues

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manufacture and sale of garment pressing machines. In recent years, however, the company has sought greater diversification of output and products now include equipment for dry cleaning, laundry machinery, air appliances such as air vacuum systems, centrifugal blowers and exhausters, and filters and stills for cleaning solvents. Under favorable conditions the company has demonstrated its ability to develop good earning power. In the four years subsequent to 1929, however, deficits were shown and in three of these years there was an operating deficit. Since 1933, however, earnings have shown marked improvement. Last year net sales increased about $1,500,000, or 38%, to $5,309,433. Net income last year amounted to $447,980, as compared with $120,825 in 1935, and $44,376 in 1934. Net last year was equal to $1.92 per share on the common stock, after preferred dividends, comparing with 56 cents a share earned in 1935. The upturn in sales and profits thus far this year has been at an even more vigorous rate. Sales in the first quarter increased $600,000, and net profit was more than $100,000 in excess of the corresponding period of 1936. Net profit of $181,849 this year was equal to 74 cents a share on the common stock, a gain of exactly 100% over per-share results in the first three months of last year.

The larger volume of business and earnings has enabled the company to strengthen its financial position. Last year the sale of 30,000 shares of 5½% convertible preferred stock, $50 par, provided the company with funds to pay off its indebtedness to the R F C and Commercial Credit Co. Subsequently, the company re-established its credit lines with banks, resulting in important savings in interest charges. Inasmuch as the bulk of the company's business is done through the medium of installment financing, such bank borrowings are necessary. At the end of last March, financial position was comfortable. Common stock outstanding totals 216,463 shares.

Although no dividends have been paid on the common shares since 1930, earnings would appear to be rapidly approaching a point where the resumption of payments can be logically expected. The shares, while admittedly not the most suitable type for longer term retention, would appear to possess speculative merit among lower priced issues. Recent quotation 18.

Founded on Collars—Prospers on Shirts

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the close of the past month that business up to then was between 25 per cent and 30 per cent ahead of 1936. What then might one expect the company's present earning power to be? It is here that some conjecture inevitably enters. Judged from last year's showing, it would seem that Cluett, Peabody could show something over $1.50 a share net on its new stock from manufacturing operations this year. Then there are the "Sanforizing" royalties to be considered. If the process is used on 500,000,000 yards, it will bring in gross royalties of, say, $1,250,000. It is not known, but one would expect promotional and other expenses to be less proportionately as the gross royalties increased. Assume the net royalties to be $700,000, this would be something less than $1 a share on all the new stock to be outstanding after allowance for taxes. All-in-all, it would seem at the present time that one might expect Cluett, Peabody's earnings for 1937 to be equivalent to $2.50 a share on its new stock. If business slackens up during the balance of the year, the figure might be modified downwards to $2: if business shows further gains, a revision upwards to $3 would not be unreasonable. In any event the semi-annual report which should be available towards the end of next month undoubtedly will afford important clues to the final figure for the year. Even on this basis the stock is not over-priced in today's market, for it makes no allowance for the possibility of increased profits from the manufacturing division in subsequent years and no allowance for the certainty that 1937 will by no means witness the peak of "Sanforizing" royalties.

Westinghouse Electric & Mfg.—General Electric

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factors bearing on the relative merits of the shares of General Electric and of Westinghouse are carefully dissected and analyzed, one is forced to recognition of the commanding position that General Electric holds as an investment vehicle. Practically every element of importance points in this direction. It is stronger financially, and larger physically. The results of management policies all along the line from research to accounting to sales policies have resulted in greater stability of profits.

All of these admirable characteristics of the company and of its policies from the investor's point of view are definitely offset (from a speculative standpoint) by the higher price earnings ratio, which the investment following in the shares makes inevitable, and by the antithesis of stability, i. e., rapid earnings recovery. The speculative holder who requires wide possibilities of price appreciation over the longer term finds more of the qualities on which "profits" are obtainable from market operations in Westinghouse Electric and Manufacturing Company shares.

Again from the speculative standpoint, it is worth at least passing comment that during the three-year period, 1928 to 1930, the price earnings ratio of Westinghouse shares pulled closed to that of General Electric than at any other period, notwithstanding the four-for-one split up in General Electric shares which would normally distort price earnings relationships in the latter's favor in the type of market then prevailing. The reason for this narrowing of the normal spread between these two issues in the final stage of major market advance probably lies in the enthusiastic speculative following that an issue such as Westinghouse attracts during periods of general business prosperity and sharp earnings improvement. This factor appears to lie in Westinghouse Electric's favor at present. As mentioned above, however, where investment protection is a primary consideration, there can be little room for discussion as to the greater appeal of General Electric.

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